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6 September 1984

# Latin America Report

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6 September 1984

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## INTER-AMERICAN AFFAIRS

### BRIEF

PERU, BRAZIL EXCHANGE PRODUCTS--Peru intends to export tens of thousands of tons of rice and beans to Brazil, from the surplus left over from this year's bumper harvest. It will receive in exchange tractors and various types of agricultural machinery, in a novel bartering system that the two countries have designed. The announcement was made by Cesar Ismodes, vice-minister of agriculture, who traveled to Buenos Aires to attend the 2nd Meeting of the Regional Food Security Action Committee, which encompasses the countries of the Latin American Economic System (SELA). Ismodes reported that this year's rice harvest will reach 700,000 metric tons, yielding a surplus of 200,000 tons. [Excerpt] [Lima EL COMERCIO in Spanish 1 Aug 84 p A-1] 8926

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## BRAZIL

### POLL SHOWS MAJORITY PREFERENCE FOR NEVES IN DIRECT ELECTION

Rio de Janeiro MANCHETE in Portuguese 28 Jul 84 pp 12, 13

[Article by Murilo Melo Filho: "Tancredo in the Lead"]

[Text] An electoral poll conducted by the IBOPE [Brazilian Public Opinion and Statistics Institute] in seven large Brazilian capitals and commissioned by the MANCHETE Television Network named Gov Tancredo Neves as the candidate preferred by an overwhelming majority of Brazilians for the presidency of the Republic, if the presidential elections were based on the popular and direct vote.

The sampling was made between 6 and 10 July and included the areas of greater Rio, Sao Paulo, Belo Horizonte, Porto Alegre, Recife, the Federal District and the city of Fortaleza, polling 2,002 persons who were over 18 and therefore able to vote. Under consideration were the three most likely candidates in a direct contest.

The results of this electoral poll were easily foreseeable. After all, only one of the three candidates, Gov Tancredo Neves, is a member of the opposition. The other two, minister Mario Andreazza and deputy Paulo Maluf, have to cope with all the burdens and disadvantages of being candidates of the government party with no advantage in return.

The Mansion on the Plateau and the SNI [National Service for Intelligence] had already conducted electoral polls at an earlier date, which led to the same conclusion (an unpleasant one for them); namely, that any candidate in the situation, in a direct and popular vote, would simply be defeated.

The figures produced in this poll are the natural and inevitable consequence of galloping inflation, the high cost of living, the exorbitant living costs of the individual household and unemployment, which do not inspire any voter to go out and cast his vote for a candidate of the PDS [Social Democratic Party].

### The Opinions of the Potential Candidates

MARIO ANDREAZZA: "The poll shows that I do not have far to go to reach my goal. I am going to be victorious at the PDS convention. I have reliable

information to this effect. The majority of the convention delegates are on my side. I am certain that the electoral college can expect many votes from politicians who are presently members of the Liberal Front of the PDS. This will give me the victory. I believe, however, that there could be a reunification of my party in support of my candidacy, despite the fact that the negotiations are at an advanced stage between the liberals and the parties of the opposition, mainly the PMDB [Brazilian Democratic Movement Party], endorsing the candidacy of Gov Tancredo Neves of Minas Gerais. In spite of everything, I already regard myself as the winner. With the votes of the Liberal Front, my victory is assured."

TANCREDO NEVES: "I do not make a practice of commenting on polls. But I cannot refrain from expressing my recognition of the fact that these results do me great honor, especially since they were gathered even before any decision had been made on the possibility that I might become a candidate. In my opinion, what is important about the MANCHETE/IBOPE poll is it shows that the people are already eager for some changes. Therefore, these data are a definite basis for reflection on the part of all public men of this country."

PAULO MALUF: "The MANCHETE/IBOPE poll is a good one and an honest one, however, it is non-indicative and non-conclusive, since it limits itself to a total of 2,000 persons who were questioned as to their preferences and especially since other press media in similar polls have shown different results."

#### [Charts]

##### General Tally

Question: "If the presidential elections were held today, for which of the following candidates would you vote?"

(2,002 persons)

	<u>Percent</u>
Tancredo	47.3
Andreazza	18.0
Maluf	12.8
None of the above	15.9
Do not know/expressed no opinion	6.1

Greater Rio  
(355 persons)

	<u>Percent</u>
Tancredo	51.0
Andreazza	19.7
Maluf	8.2

None of the above	16.3
Do not know/expressed no opinion	4.8

Greater Sao Paulo  
(489 persons)

	<u>Percent</u>
Tancredo	44.4
Andreazza	16.2
Maluf	17.4
None of the above	14.9
Do not know/expressed no opinion	7.2

Greater Belo Horizonte  
(288 persons)

	<u>Percent</u>
Tancredo	62.8
Andreazza	6.9
Maluf	5.2
None of the above	21.2
Do not know/expressed no opinion	3.8

Greater Porto Alegre  
(242 persons)

	<u>Percent</u>
Tancredo	42.1
Andreazza	19.4
Maluf	10.7
None of the above	23.1
Do not know/expressed no opinion	4.5

Greater Recife  
(226 persons)

	<u>Percent</u>
Tancredo	43.8
Andreazza	22.1
Maluf	11.9
None of the above	13.3
Do not know/expressed no opinion	8.8

Federal District  
(222 persons)

	<u>Percent</u>
Tancredo	47.3
Andreazza	26.1
Maluf	11.7
None of the above	6.8
Do not know/expressed no opinion	8.1

Fortaleza  
(180 persons)

	<u>Percent</u>
Tancredo	36.1
Andreazza	28.3
Maluf	18.3
None of the above	12.2
Do not know/expressed no opinion	5.0

Between Tancredo and Maluf

Question: "For which would you vote if the candidates were only:

(2,002 persons)

	<u>Percent</u>
Tancredo	60.6
Maluf	16.5
Do not know/expressed no opinion	7.1

Between Tancredo and Andreazza

	<u>Percent</u>
Tancredo	55.0
Andreazza	21.9
Do not know/expressed no opinion	7.7

Direct or Indirect

Question: "In your opinion, the next presidential election should be:

(2,002 persons)

	<u>Percent</u>
Direct	86.3
Indirect	6.5
Do not know/expressed no opinion	7.1



## NATIONAL TV PROGRAMMING DENOUNCED AS GOVERNMENT PROPAGANDA

Santiago HOY in Spanish 25 Jul 84 pp 11-13

[Article by Antonio Martinez: "The Dictatorship of National Television"]

[Text] The colleagues of announcer Sergio Silva, on "Radiotanda," did not have to wrack their brains to find him an appropriate nickname, and christened him "the striped back." The reason: National Television of Chile even banned his voice when sports events were being aired jointly with Channel 13. Pedro Carcuro also had to put up with the veto of TVN executives, who advised him to stop his commentaries on Radio Chilena if he wanted to continue as a commentator on the state network.

Examples of this kind are plentiful. As HOY managed to learn, the list of those banned on TVN is long, including all camps, and could become flexible when the image of the banned person might be damaged by certain information. They range from Cardinal Raul Silva Henriquez to the government leader, Manuel Contreras Loyola, who was criticized for his contradictory statements regarding the labor issue. For months, the face of Rafael Cumsille has been banned on the 108 stations that TVN has throughout Chile. The same fate is suffered by Andres Zaldivar, Gen (ret) Gustavo Leigh or Rodolfo Seguel, who appear on the screen only and exclusively when "there are chances of harming them," as an informant told HOY, confirming what the public has perceived by itself.

In the 17 July edition of "60 Minutes," Raul Matas read, with emphasis (and an accusing look) a report from Madrid in which it was stated that Zaldivar, president of the DC [Christian Democratic] International, was reaching an agreement with the Communist International. Zaldivar's denial was published in the entire press on 18 July. But the edition of "60 Minutes" that day did not take the trouble to explain the report, nor did it do so subsequently.

The government has a tool which covers virtually the whole national territory, to which 30 percent of Chileans have no alternative: They can only tune in TVN, which is the longest network in the world. "From Finland to the Strait of Gibraltar," as a publicity agent commented; a network in which the opposition has no place and wherein it is constantly barred. National Television has, moreover, systematically refused to acknowledge the right to response which,

according to the Constitution and the law, belongs to every person, both natural and juridical, who is mentioned by a news medium. No one has yet succeeded in making TVN respect this provision, with which all the other media stringently comply.

#### A Government Network

The government has systematically put up one obstacle after another to keep the Catholic University of Chile's channel from extending its broadcasts throughout the country. Just last March, it allowed it to reach Talca and Chillan. But from Concepcion southward, and between La Serena and Antofagasta, in the north, "the eyes and ears of Chile" are those of the Pinochet government.

In 1970, Law 17,377 was passed for Chilean television. It contains the general principles for the university channels and for TVN: "It must serve to integrate and to interconnect the country"; it must "foster the development of education and culture," "report objectively on national and international events" and "not be in the service of any particular ideology, maintaining respect for all movements which express the thinking of sectors of the Chilean people."

Valerio Fuenzalida, a communications researcher and author of "Transformations in the Structure of Chilean TV," told HOY: "The military government issued a series of decree-laws whereby it destroyed the entire system of social control that had been devised for Chilean TV." Fuenzalida's study notes that, by means of DL 113, which was intended "to gear the operation of the National Council on Television (CNTV) and National Television of Chile to the country's present circumstances," the government began to have absolute control over the national network.

The power of the Pinochet government fell with all its weight upon TVN, a network which was supposed to belong to all Chileans. The custody that the Ministry of Education had of TVN disappeared, and the latter became subordinate to the General Secretariat of Government, which is even the one authorizing the channel's plant personnel. For the administration of TVN, the law had created a board of directors consisting of seven members, with only two government representatives. DL 113 also changed this situation, and concentrated all the authority in a single person: the general director, who is appointed by the chief executive and proposed by the General Secretariat of Government.

#### Presumed Information

The regime runs TVN like an agency that devotedly disseminates its proposals (for "persuasive" purposes, claims Fuenzalida) with some secrecy: It is forbidden to photograph the channel's facilities in Santiago. Augusto Gongora, a journalist and researcher from ILET (Latin American Institute of Transnational Studies), claimed: "Most of TVN's news sources are governmental, 90 percent or more. The reporting has, rather, a propagandistic logic as its genre of journalism, but it is not journalism per se."

So it is consistent that, in the National Television dictatorship, it should be the government's representatives and President Pinochet himself who are the figures constantly besieged and taped by TVN's cameras: For nearly 11 years, General Pinochet and his wife have had teams of reporters covering all their activities. No instruction nor agenda is needed: It has been a routine obligation for over a decade.

For this reason, in the "60 Minutes" edition of Tuesday, 10 July, the reports associated with Pinochet took nearly 16 minutes: with the victims of Renca, Calera, Quillota and Renaca; visiting the international road to Mendoza; visiting the Rio Blanco barracks; and, finally, reflecting together with Chilean youth. On "60 Minutes" the next day, he was on the screen for over 10 minutes, with reports naming or showing him.

The opposition's news is gaged by a different yardstick. The return to Chile of Jaime Insunza and Leopoldo Ortega, thanks to the initial verdict of the Court of Appeals, received 50 seconds of reporting, 30 of which were used by the announcer to read the statement from the investigations department. A TVN newsman told HOY that, when the attack on former Senator Jorge Lavandero took place, "a very precise order came from the channel's upper echelons: hint at involvement with women or a quarrel between drunks."

Gongora cites another maneuver that the TVN reports use often: "When there is an assault and it is assumed that those to blame are from the opposition, they are never 'presumed guilty,' but are definitely terrorists, even before they are captured." When the departure from Chile of Hector Munoz Morales, husband of the woman who was blown up, was announced, both Channel 11 and Channel 13 began the report by naming the 30-year old accountant. On "60 Minutes," on the other hand, the news was announced on two occasions: "The informer of the presumed homicide," first, and "the informer in the case of the woman who was blown up," later.

'Go and Show'

With this eagerness to make an even better selection of the information that the newsmen on "60 Minutes" provide, the duo Rafael Kittsteiner, press chief, and the general director, Col (ret) Hugo Morales, did not agree to extend the correspondents' network to provinces, and opted to work with the material supplied by the public relations offices of the regional superintendencies, despite the fact that Colonel (ret) Morales stated on one occasion: "On Channel 7 the newsmen have complete freedom of action. Important projects are being carried out in this country every day; all that I say is: 'Go and show.'" In another interview, he cited the reason that the government most likely chose him for that post: "I do not think we have been efficient, for various reasons, in effectively publicizing our country's great accomplishments."

Kittsteiner, with his own hand, controls and prepares the headlines for "60 Minutes," directed by Raul Matas. The latter, like the rest of the announcers, shares the government's thesis. The news arriving from the satellite is

stringently selected and subsequently edited. A member of the "60 Minutes" team told HOY: "The idea is to show a world in upheaval. Reporters are forced to underscore what is bad, and then contrast it with only positive news about Chile."

From Armenian terrorist attacks in Austria, it moves to the opening of housing in Los Andes; from the "Shining Path" extremists in Peru, to the expansion of the regional hospital in Concepcion. Or, on "60 Minutes" for Tuesday, 10 July, it turned from the growth of the agricultural-livestock sector to the priests expelled from Nicaragua. Part of that same idea are the foreign special features which appear on the program "Special Report," which began on TVN a few weeks ago. It showed El Salvador and Nicaragua, and, last week, a Spain beset by all the evils in the world: unemployment, drugs, crime and pornography.

#### Adulterated Journalism

Nevertheless, and though it may seem strange, the Pinochet government has not been really satisfied with the ideological and persuasive penetration of the gigantic medium that it has in its service. For the present, there is the low degree of tuning in of "60 Minutes" in comparison with "Teletrece"; in the total June rating, the figure was 26.2 percent, in comparison with 41.93 percent for Channel 13. This has had repercussions on the price of advertising: a 45-second spot on the Catholic channel's news costs 308,000 pesos; whereas "60 Minutes," despite its wider coverage, has a rate of 297,000 pesos.

This explains the fact that, in the 11 years of military regime, six journalists have held the position of TVN press chief; and the same number of individuals have served as general director: from retired Army majors to colonels in active service, including an attorney and a veterinary doctor. A former official of the state channel explained: "The fact is that the groups surrounding the government attempt to impose their ideas and to control TVN; all of them assure Pinochet that they will succeed in persuading Chileans that the government is acting well." Whatever formula is selected by the latter, the point is, to quote Valerio Fuenzalida, that "National Television has assumed the nature of a government network and become a network dependent on a highly political agency, namely, the General Secretariat of Government."

It is extremely difficult to claim that TVN engages in a chemically pure journalism. Several years ago, a TVN chief reporter proclaimed to the four winds that he was an official of the DINA [National Intelligence Directorate] (based upon his biography, he was working in public relations), and offered his influence in resolving any situation. During the long watch in front of the doors to the nuncio's residence, in the case of the four persons taking asylum, the camaraderie between some National Television employees and CNI [National Information Center] agents was obvious.

Jorge Navarrete, former general manager of TVN, thinks that, "To retrieve the essence of National Television will be possible only when the country returns to democracy. Until this happens, it will continue to be a scandal, another piece in the picture."

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## FIRST SEMESTER ECONOMIC GAINS NOTED

Santiago LA NACION in Spanish 29 Jul 84 p 8

[Text] One infers from the indicators prepared by the Industrial Development Association (SOFOFA) and the National Institute of Statistics (INE) that during the first 5 months of the year industrial production rose by 10.8 and 10.3 percent in comparison with the same period last year. During a similar period, industry's physical sales increased by 7.8 and 8.3 percent, respectively, according to the same sources.

The foregoing has meant increases in employment and in the demand for input. SOFOFA's index on industrial electrical consumption showed an increase of 12.5 percent during the first 5 months of the year in comparison with the same period the year before; while electric power production on the part of public services (ENDESA [National Electric Power, Inc]) showed a 9.2 percent rise in a similar interval.

The construction sector maintained the pace of activity displayed during the first quarter, when the sectorial product increased 7.3 percent over the same period last year. In fact, several indirect activity indicators reflect the foregoing, particularly the demand for input typical of the sector. The Chilean Construction Chamber estimates that cement shipments to the domestic market increased 13.9 percent during the first half of the year, in comparison with the same period last year. Round iron shipments to the domestic market, in turn, rose 43.9 percent during the first 5 months compared with the same period in 1983. As a result of this, sectorial employment has increased strongly.

The increased economic activity noted during the first half was reflected in an increment in the volumes of cargo moved in the country. For example, during the first half of the year maritime transportation (EMPORCHI [Port Enterprise of Chile]) increased 19.8 percent over the same period in 1983; while freight transportation by rail rose 5.7 percent during the first 5 months of the year in comparison with the same interval the year before.

During the 5-month period, the results of the poll on planting intentions prepared by INE for the current agricultural season were released. According to them, farm producers plan to cultivate an area exceeding that of last year by 13

percent; in other words, for the 1984-85 season 1.180 million hectares will be allocated for planting the so-called "traditional crops." It should be noted that, during the 1983-84 season, the area planted was 20.6 percent larger than that allocated during the preceding season. In addition, during the last agricultural year, the total value of the production of the 14 traditional crops increased 84.8 percent in monetary terms, in comparison with the previous season. This should reflect major increments in the amounts harvested, as well as in the end prices of the products.

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## NEW EXPORT COMMISSION CREATED

Santiago LA NACION in Spanish 2 Aug 84 p 7

[Text] The minister of economy, Modesto Collados, stated today that the government would continue to back exporting activity, aware that, by virtue of it, the country will generate the external funds required for its development.

Collados stressed that this area would be the "backbone" of economic activity, although he remarked that there would obviously be no neglect of the effort to have the other productive activities carried out.

The state secretary officiated yesterday at the ceremony to establish the "Exports Promotion Commission," the purpose of which is to devise a set of policies that will make it possible to increase Chilean sales abroad over the medium and long term.

The commission will also study the prompt issuance of an "exporter's statute" that will define stable groundrules for this activity.

Also to be defined are the roles of the various government departments concerned with the activity, and the guidelines must also be devised for an active trade policy in the international area.

The commission is chaired by the representative of the Ministry of Economy, Eladio Susaeta, and comprised of the representative of the Ministry of Finance, Uri Wainer; the deputy director of ODEPLAN [National Planning Office], Jorge Valenzuela; the representative of the Ministry of Interior, Ernesto Rendel; the representative of the Central Bank, Claudio Pardo; the chairman of the Confederation of Production and Commerce, Jorge Fontaine; the vice chairman of the Association of Exporters, Andres Ureta; the executive of the O'Higgins Bank, Hipolito Lagos; engineer Efraim Friedmann; and the chairman of the exports commission, Sergio Vergara.

## Work of PROCHILE

The chairman of the Exports Promotion Commission, Eladio Susaeta, announced that the role of the Institute for Export Promotion, PROCHILE, is now being redefined, noting that this service will have an even "greater degree of autonomy."

He explained that PROCHILE would have a greater participation from the private sector in its board of directors and executive committee, in order to make it more speedy and efficient. He added that this entity would be "an autonomous institution that will be associated with the government through the Ministry of Economy."

Susaeta emphasized that, through this initiative, PROCHILE will again be established as a vital tool for promoting exports, lending its activity a higher degree of mobility. He gave a reminder that PROCHILE came into existence as a mixed private sector-government agency, with broad authority, but that throughout its activity it had lost part of its autonomy and its radius of action.

The executive explained that the Exports Promotion Commission will have a period of 60 days in which to prepare a report intended to suggest measures aimed at optimizing the sector. He added that the next meeting would be held sometime next week.

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## BRIEFS

ADENA, MUR TO PUBLISH DAILIES--If anyone calls (as HOY did) telephone numbers 398727 or 398710, a voice will answer: "LA CONTRA newspaper, hello." The fact is that this new paper which, it has been learned, is soon to make its debut, already has its offices at 587 Huerfanos Street. The increase in the nation's daily paper family has surprised many people, because other requests for permission to found new written media have not received any response from government authorities. For example, the request to create the independent daily, LA EPOCA, has been waiting since 4 January. LA CONTRA will be edited by Cesar Enrique Rossel, a radio script writer who created the program "La Pichanga Residential," and "The Last Popular Unity Spirit," which first appeared in 1974. Despite its name, LA CONTRA will not be exactly opposed to the government, because it will represent the views of National Democratic Accord, ADENA; which was left over from the group of "Eight," a government-oriented coalition. It will be printed in the government shops of LA NACION, and hence it is presumed that its slogan "constructive criticism" might prove to be more optimistic than pessimistic. Moreover, by September there is expected in Coyhaique that another daily paper will appear, the owners of which belong to the Regional Unity Movement, MUR, which is associated with MAN, the National Action Movement, a close ally of ADENA. [Text] [Santiago HOY in Spanish 25 Jul 84 p 18] 2909

CSO: 3348/523

FIGUERES ON 'CONFRONTATIONAL' ATTITUDE TOWARD NICARAGUA

San Jose LIBERTAD in Spanish 13-19 Jul 84 p 3

[Report on interview with former President Jose Figueres by ANN; date and place not specified]

[Text] Jose Figueres, former president of Costa Rica, has described as "suicidal" and "foolish" the attitude of those in our country who want to make our incompatibilities with the Sandinist government of Nicaragua worse.

In an exclusive interview with the ANN [NEW NICARAGUAN NEWS AGENCY], the three-time chief of state and chairman of the National Liberation Party said that there are conservative and oligarchic sectors interested in "touching the match to the bonfire."

Those sectors, which he says are also found in the political group to which he belongs, "do not realize that the more friendly ties we have with Nicaragua, the fewer problems we will have in our own country."

Figueres describes himself as a "loyal friend" of the Sandinist government and people's revolution, but he says he is under pressure to abandon that attitude from forces interested in confrontation or those lacking the courage to stand up to the "anti-Nicaraguan" campaign.

He says it is difficult to maintain a clear stand in support of the Nicaraguan revolution in an environment which he describes as "dogmatic" and in which "the thinking of others is not respected, although it ought to be respected, since this is a democratic society."

The 70-year-old Social Democratic leader, who has participated actively in Costa Rican and international politics for over 50 years, recalled that he began the struggle against the Somoza dictatorship in Nicaragua as a very young man.

The fact that they overthrew the dynastic regime is a credit to the "boys" in the Sandinist Front, he said, and they cannot be blamed now for the fact that after 50 years of obscurantism, they have not managed to establish a democratic society on the Costa Rican model.

He also pointed out that Nicaragua is a country that has been invaded--an indirect allusion to the covert war being carried on against the Sandinist government by the U.S. Administration--and that "in those conditions, it is impossible to preserve unrestricted freedoms."

He said: "Costa Ricans must remember that our country was invaded twice by Somoza and that we established censorship of the press both times, with the official censor being a jurist."

"I remember that the newspaper LA NACION--the most important of the local conservative media--worked on behalf of the invaders 'almost shamelessly,' and we had to censor it. We would read everything the newspaper was going to publish and cross out whatever did not serve our purpose."

Figueres also emphasized his belief that the Sandinist government will hold some free elections and that this will serve to "shut the mouths of a lot of people accusing it of being antidemocratic and totalitarian."

In another connection, the former Costa Rican ruler said he was in favor of finding a political and negotiated solution, based on the efforts of the Contadora Group, to the Central American crisis.

He emphasized: "It is very necessary and imperative. In general, there is very little knowledge concerning the societies in northern Central America, especially Guatemala and El Salvador.

"The systems there are almost feudal. The armed forces in those countries have been the tools of very wealthy minorities, and now they are in great difficulties which I believe must be resolved."

Figueres explained: "Regrettably, solving the regional crisis is a problem that will take decades."

In that connection, he said he was hopeful that the recently elected Christian Democratic government headed by Jose Napoleon Duarte in El Salvador would agree to begin a process of negotiation with the opposition forces.

"They must negotiate, not to establish social justice in El Salvador--that is a far-off ideal--but to achieve an understanding among the social classes in conflict that will enable everyone, working together, to increase the production of wealth and distribute it better."

Lastly, he said he was skeptical concerning the elections held last week in Guatemala. Figueres concluded by saying: "That is a country where the right to vote has never been respected--it is a very feudal and highly militarized society."

11798

CSO: 3248/722

## SHIPMENT OF GOODS BY TRUCK PLAGUED BY DISORGANIZATION

Havana GRANMA in Spanish 22 Jun 84 p 1

[Commentary by Emilio del Barrio Menendez: "Nonreception of Goods by Domestic Economy Is Completely Unnecessary"]

[Text] The Oriente Truck Enterprise's trucks on active service at its units in Guantanamo, Santiago de Cuba, Granma, and Holguin failed to haul 19,108 tons of merchandise during May for various reasons: rain, lack of coordination, internal problems in the units, and nonacceptance by the domestic economy.

And it is precisely the last-mentioned cause that we are going to discuss again in our commentary today, because it is completely unnecessary.

Of the total number of tons not delivered by the trucks in the country's four easternmost provinces for the reasons mentioned, failure by the domestic economy to accept the goods was the reason in 58.5 percent of the cases, representing a total of 11,184 tons. Taking the daily average as calculated, for example, by the port of Santiago de Cuba for 30 days in May, that is the equivalent of a little over 6 days of unloading time.

It should be pointed out that the calculation behind the statement that 11,184 tons could not be delivered because of failure to accept them is based on a figure of 16 tons per truck, with each truck making only one daily trip per shift.

This major cause--failure by the domestic economy to accept the goods--is due in turn to other causes which are widespread throughout the country. They are lack of notification by EXPEDITRANS, work in the warehouses, and schedules limited to 8 hours--that is, only one shift.

It can be seen that all those causes, without exception, are organizational in nature--there is no objective reason for them. So why is this problem not being solved? Using one's intelligence is all it takes to seek reasonably economic solutions--not from the narrow standpoint of business interests but with a broader goal in view: from the standpoint of the national economy.

We know that the chain leading from port to transportation to domestic economy involves the participation of many, very many agents--practically every organization, enterprise, establishment, and unit in the country--and that it is not



at all easy to reach specific agreements and solutions. But we say in all conscience that it is not impossible. The problem calls for a uniting of wills, nor for using the shortcomings of others to hide our own.

Precisely in May, the Oriente Truck Enterprise made a survey of the equipment at three bases--two in Santiago de Cuba and one in Bayamo--and it showed that 111 vehicles were left with their loads overnight for those reasons that add up to failure by the domestic economy to accept the shipments.

That small sampling showed that 219 trips were not made, meaning that a total of 5,037 tons were not hauled. The result was economic harm to the country, the truck enterprise, and the drivers of the vehicles.

The losses suffered by the country as a result of that interruption in the flow of goods and the underutilization of capacity are obvious, but the loss incurred by the transportation enterprise should be explained, since it is less well known to the public.

In the example cited concerning the 111 trucks, the transportation enterprise lost 18,989 pesos, an amount that includes, besides the traffic that was not produced due to underutilization of the equipment, the money spent on daily allowances and lodging for the drivers.

In the case of the drivers, the recipient considers the truck active not from the moment it arrives but from the moment he opens his warehouse. This means that the hours lost--totaling 2,138 in the case of the 111 vehicles surveyed--are reflected as inactive time instead of being reported as the user's layover time for loading or unloading. The result, inasmuch as the drivers are paid on the basis of output, is that the worker is not producing, and all that time is reported as a work interruption because of inactivity.

As can be seen, it is necessary that everyone--carrier, shipper, and recipient--immediately eliminate, or at least reduce as much as possible, the underutilization of transportation caused by the factors constituting this famous failure to deliver to the domestic economy.

Trucks, like all vehicles used to move merchandise, have only one objective, and that is transportation. And it could never occur to anybody to regard them as or convert them into warehouses on wheels. There must be improvement in the mechanisms established so that when a truck arrives--regardless of the day or hour--it will be unloaded or loaded immediately.

11798

CSO: 3248/723

## PRICING VIOLATIONS OF 50 MILLION PESOS UNCOVERED

Havana GRANMA in Spanish 25 Jun 84 p 1

[Article by Jose M. Norniella]

[Text] Over 1 million invoices and equivalent documents were audited in 1983 to ensure that prices, rates, surcharges, and trade discounts among enterprises (wholesale prices) were correctly applied, and 80,491 violations were uncovered, according to an announcement by the State Committee for Prices in this capital.

According to information supplied to GRANMA, the amount of those violations came to nearly 50 million pesos: 10.6 million due to overcharging, 4.1 million due to undercharging, and 34.7 million in deals negotiated at nonofficial prices and rates.

The total amount is almost 70 million pesos below that for the year before, even though 32 more enterprises were audited in 1983 than in 1982. The basic reason for the drop, according to information given to us, was that the Ministry of Foreign Trade's import enterprises did better pricing work and complied with the recommendations made by inspectors a year earlier.

One interesting fact in this pricing work is that the violations discovered for 1983 represent 8 percent of the total inspections carried out, while in 1982, with almost 220,000 fewer inspections, violations totaled 9 percent.

A little over 3,000 measures were agreed on with the enterprises for solving problems in the area of pricing. And according to what we were told, almost 2,200, or 72 percent, had been carried out by the end of 1983.

As a result of the inspection work, 145 penalties were handed out for failure to apply the correct prices among enterprises. It was also ordered that 13.1 million pesos be paid into the State Budget from the profits of a group of enterprises whose improved earnings were due not to increased efficiency but to price differences favorable to them.

Cienfuegos, Las Tunas, Granma, and Guantanamo Provinces did not complete their inspection programs because of a lack of personnel for carrying out that work, among other reasons. The Isle of Youth Special Municipality did not conduct any inspections in 1983 because of difficulties with the personnel involved in that work and the lack of administrative organization. The result was that the people's government appointed a new director of prices and the inspection staff was reorganized.

## POLITICAL PARTIES FORM PROGRESSIVE BLOC IN CONGRESS

### Official Statements

Guayaquil EL UNIVERSO in Spanish 26 Jul 84 p 5

[Text] Quito—For the first time in Ecuadorean political history, parties with traditionally conflicting ideologies and political objectives have decided formally to act together in the next session of the National Congress, through the so-called Progressive Parliamentary Bloc."

This bloc , made up of the Democratic, Popular Democracy, Broad Front of the Left, Ecuadorean Roldosist, Democratic Left, Democratic People's Movement and Ecuadorean Socialist Parties, will comprise 39 legislators, 36 of whom actually signed the document creating the bloc; two others expressed their approval by telegram, and a third will sign in the next few hours.

In releasing the document signed by the legislators and the top leaders of the parties that comprise it, Democratic Party Secretary Jaime Moreno stated that this is a historic agreement, because it marks the first time agreements have been reached on the basis of ideas and principles of defending the people's interests, rather than political appetites.

### Declaration

The declaration, which was read in the old Senate Chambers at the Legislative Palace, reads as follows:

We, the representatives of the Democratic, Popular Democracy, Broad Front of the Left, Ecuadorean Roldosist, Democratic Left, Democratic People's Movement and Ecuadorean Socialist Parties, maintaining the ideological, political and organizational differences that characterize each of our political parties, but adhering to a clear position of independence from the government, due to a common ideal of defending the interests of the people, seeking alternative solutions to the serious problems that plague the majority of Ecuadoreans, and disagreeing with neoliberal theories and practices, hereby announce the formation of the Progressive Parliamentary Bloc .

Against this background, we proclaim in this document the following postulates which shall orient the common action of our legislators in the National Congress:

1. Agreement and commitment to defend and improve the viability of the constitutional system; to oppose any attempt at imposing a dictatorship or repressive policies; and to strengthen the democratic process by consolidating the advances that have been made and the expansion of popular participation.
2. Agreement and political commitment to propose alternative solutions to deal adequately with the crisis that Ecuador is undergoing, through the drafting and joint sponsorship of legislation that harmonizes provincial and regional interests with national interests, and promotes social justice and development, meaning the improvement of the standard of living of the least favored sectors of our society.
3. Agreement and political commitment to guarantee that the National Congress will remain completely independent of the other functions of the state, ensuring creative legislative efforts and effective oversight, in accordance with the Constitution and the laws of the Republic.
4. Agreement and political commitment to defend the achievements attained by the Ecuadorean people in the constitutional, labor and social spheres.
5. Agreement and political commitment to firmly oppose the adoption of measures that would limit the role of the state in the country's economic life or subordinate it further to the interests of minority groups.
6. Agreement and political commitment to ensure that foreign investment is subject to the requirements of an independent and sovereign national development.

#### Congressional Members

Guayaquil EL UNIVERSO in Spanish 26 Jul 84 p 1

[Text] Quito—The following are the legislators-elect who have signed the document forming the "Progressive Parliamentary Bloc," which is made up of the Democratic, Popular Democracy, Broad Front of the Left, Ecuadorean Roldosist, Democratic Left, People's Democratic Movement and Ecuadorean Socialist Parties:

#### Democratic Party (2)

Dr Alejandro Serrano Aguilar and Dr Carlos Feraud Blum

The national president of the Democratic Party, Francisco Huerta Montalvo, stated that Joaquin Lalama, the deputy for Imbabura, will announce his membership in the bloc in the next few hours.

#### Roldosist Party (3)

Elsa Bucaram Ortiz, Fausto Perez Vergara and Roberto Dunn Barreiro

## Popular Democracy (7)

Dr Wilfrido Lucero Bolanos, Floripa Mejia Villa

The national president of Popular Democracy, Wilfrido Lucero, stated that the legislators-elect for Manabi, Simon Bustamante, and Loja, Dr Bolivar Castillo Vivanco, have announced their adherence to the bloc by telex.

## People's Democratic Movement (3)

Jorge Moreno Ordonez, Carlos Carrillo, Dr Lenin Rosero

## Democratic Left (23)

Andres Vallejo Arcos, Nelson Ortiz Estefanuto, Jorge Valdospinos, Antonio Rodriguez, Raul Baca Carbo, Enrique Delgado Coppiano, Mario Suarez, Enrique Carpio Cordero, Virgilio Saquicela Toledo, Carlos Avila Gavilanez, Edgar Santillan, Freddy Herrera, Fernando Larrea, Guillermo Zapatier, Jorge Zavala Baquerizo, Vicente Cherrez, Alejandro Cepeda, Gabriel Ruiz, Victor Hugo Cordova, Bayardo Poveda, Luis Cervantes, Jacinto Pozo Gonzalez and Lorgio Garcia

## Socialist Party (1)

Dr Edelberto Bonilla

## Broad Front of the Left (2)

Efrain Alvarez Fiallo and Dr Edison Fonseca

## Meeting Announced

The legislators who, according to yesterday's announcement, will join the "Progressive Bloc " will meet next week to discuss legislation they will sponsor jointly in Congress. So far no one has mentioned candidacies for legislative officers.

## Commitment Agreement

The so-called "Commitment Agreement" contains several points which reveal objectives such as the defense of a viable democracy, the implementation of programs of the executive branch, the strengthening of Ecuador's international position, Latin American integration and regional cooperation, among others.

8926

CSO: 3348/521



## CFP, FRA LEADERS DEFINE STAND ON PROGRESSIVE BLOC

### CFP Rejects Bloc

Guayaquil EL UNIVERSO in Spanish 23 Jul 84 p 5

[Text] The Concentration of Popular Forces (CFP) legislative bloc rejected out of hand any possibility of reaching an understanding with "the eternal enemies of the people" on the occasion of the meeting held in this city to define its position during the next session of the National Congress, which will open on 9 August.

The CFP meeting in Guayaquil was called by the party's Political Command, which met in this city on Saturday the 14th. At that meeting, some general decisions were made to ensure that the legislators themselves, headed by the chief of the bloc, Supreme Director Averroes Bucaram Zaccida, would define their consensus position.

### Rejected Possibility

The top CFP leader, in an exclusive interview with the Ecuadorean News Agency, said in this regard that for the time being, the possibility of an understanding with the "eternal enemies of the people, the traitors of the party, or the representatives of international communism" has been rejected out of hand.

Although Bucaram did not say so, he implied that there is no way the CFP will form an alliance with the so-called "Progressive Democratic Front," which comprises the Broad Front of the Left and the Peoples Democratic Movement. Although they maintain that their philosophy is absolutely nationalist, they are considered to be Marxist.

### People's Interests

The supreme director of the CFP added that the legislators of his party will strive in Parliament to defend the overall interests of the Ecuadorean people, and therefore will demand that the bills vetoed by the late President Roldos be reviewed, especially those oriented toward benefiting the peasant and low-income sectors. At the same time, other bills are being drafted to be introduced after 10 August.



Finally, Averroes Bucaram indicated that the CFP deputies will meet again on Tuesday, 31 July at the offices occupied by the current parliamentary block at the Legislative Palace. At that meeting a decision will be made on the election of congressional officers.

#### FRA Expresses Reservations

Guayaquil EL UNIVERSO in Spanish 23 Jul 84 p 5

[Text] The national director of the Alfarist Radical Front (FRA), Cecilia Calderon de Castro, expressed doubt that the so-called "Progressive Democratic Front" has the ideological consistency it claims to have, much less the number of votes necessary to make up a majority in Parliament.

To back up her assertion, Cecilia Calderon noted that three of the legislators who belong to the Democratic Party delegation do not agree with their party's national director, Dr Francisco Huerta Montalvo, and have announced that they will comply with the agreement that Dr Huerta himself signed with the FRA.

#### Huerta Not Serious

In any case, the top Alfarist leader is not disappointed, because the failure of the talks between the FRA and the leader of the Democrats enabled her group once again to demonstrate the solid basis of its ideology and the lack of seriousness on Huerta's part. Huerta had left the so-called "Progressive Democratic Front" and then returned to it.

As for the Democratic Left, Cecilia Calderon feels that the desertions that have begun are only natural, because those legislators cannot in any way identify with the extreme left, which reveals that all the shady deals have been negotiated by the leaders without consulting with their own deputies.

#### People's Interests

The FRA legislative block intends to take action in Congress by representing the supreme interests of the Ecuadorean people, within the parameters that had been agreed upon with the Democratic Party and in accordance with the present conditions of the country. Within those limitations, the Alfarist deputies will be uncompromising.

As for the election of officers, the FRA legislative block will meet in Guayaquil in the middle of this week in order to study once again the prevailing political conditions in the country and define its position with respect to the antagonistic attitudes of the National Reconstruction Front and the Progressive Democratic Front, which represent the ideological currents of the right and center-left, respectively.

8926

CSO: 3348/521

CENTRAL BANK RELEASES MONEY SUPPLY, INFLATION FIGURES

Quito EL COMERCIO in Spanish 23 Jul 84 p A-1

[Text] Money in circulation showed little expansion in the first 6 months of this year. According to Central Bank figures, as of 31 December 1983 there was a balance of 78,450,000,000 sucres. On 22 June 1984 this reached 78,883,000,000 sucres.

This restriction in money in circulation--that is, the means of payment available to the public in cash (coins and bills) and in monetary deposits (bank obligations in national currency payable on demand through presentation of checks)--helped decrease the inflationary rate in the first 6 months of this year.

Between 24 June 1983 and 22 June 1984, money in circulation grew 31 percent which is close to the annual inflation rate as of June of this year (30.3 percent).

Cash showed a balance of 25,279,000,000 sucres as of 22 June 1984 which means an annual growth of 26 percent. When compared to 31 December 1983, it is an increase of about 14 percent in 6 months.

As to monetary deposits, the balance as of 22 June 1984 was about 53,604,000,000 sucres, an annual growth of 33 percent. However, there is no real increase when compared to the balance as of 31 December 1983 (53,532,000,000 sucres).

The means of payment available to the government and state entities totaled 17.67 billion sucres on 22 June 1984, an increase of about 17 percent compared to the balance as of 24 June 1983. The growth in the first 6 months of this year is 7 percent.

Money in the banks totaled 14,617,000,000 sucres on 22 June 1984, meaning an increase of 26 percent compared to the balance 12 months ago. The same percentage growth is seen in relation to the total as of 31 December 1983.

7717

CSO: 3348/516

PRESIDENT HURTADO DISCUSSES STATE OF ECONOMY

Quito EL COMERCIO in Spanish 26 Jul 84 p A-1

[Text] President Osvaldo Hurtado made the following statement at the ceremony held yesterday in Guayaquil commemorating the 43rd anniversary of the naval battle at Jambeli. As my term ends, there are obvious signs that the worst part of a long and frightening storm is over. The controversial measures passed are beginning to have the positive effects foreseen and the economy is stabilizing, thus insuring the next government better conditions than I had.

He added: It is necessary to keep this in mind when trying to blame my government for creating obstacles for its successor. If one thing has characterized my administration it is the seriousness with which I have proceeded in everything. I have never avoided problems in order to leave them to my successors. Rather, I assumed all the responsibilities that were required of me to fight the crisis and I made the corresponding decisions, always keeping in mind the best interests of the fatherland.

Hurtado pointed out that although economics prevailed in his speeches, that does not mean that it was the only problem. In spite of the crisis, its social and political sequels and the shortage of resources, the government did not abandon its social policy that it presented in the election campaign. Its 21 programmatic bases were included in the national development plan.

He said that economic development should progress parallel with social development. The thesis that it is necessary first to create wealth in order to eventually distribute it to the people is not acceptable. This has happened through most of the history of Ecuador and that is the explanation for the formation of an unjust society, consecrating privileges and ignoring benefits, through the centuries.

The president also spoke at the solemn session of the Guayaquil Council celebrating the 447th anniversary of the founding of that city. He said: "The problems of Guayaquil are Ecuador's problems."

He revealed that his awareness of this had effectively led him to focus his concerns on the affairs of that city. Therefore, when he spoke to the people of Guayaquil for the first time, he indicated that the national government would actively participate to help solve the problems of that port. He then presented the so-called Guayaquil plan with that objective.

7717

CSO: 3348/516

ID CONGRESSMAN DENOUNCES HIGH UNDEREMPLOYMENT RATE

Guayaquil EL UNIVERSO in Spanish 22 Jul 84 p 4

[Text] Quito--Referring to the recent seminar on unemployment, the national director of the Democratic Left, Xavier Ledesma Ginatta, said that it is worrisome that 16 percent of the economically active Ecuadoreans--concretely 500,000 Ecuadoreans--are underemployed. Approximately 8 percent of that population is unemployed.

Serious Matter

Ledesma noted that this is very serious if we consider that unemployment and underemployment are directly related to poverty with its sequels of malnutrition, violence and despair for thousands of Ecuadorean families.

He stated that although it is true that this 16 percent underemployment has helped slow down unemployment, it is equally true that this group receives less than the minimum living wage for its work. There is also a corresponding increase of underemployment.

Peasant Migration

Xavier Ledesma ended saying that Ecuador is a country characterized by a high rate of unemployment and underemployment. This situation worsens in times of economic crisis since school-age children are working in small businesses or as street vendors to help support their families. They are leaving their studies and education so we then encounter another problem, increased illiteracy in our country.

As the years pass, this problem tends to grow since the peasant migrations and the high population growth persist. The latter is especially true of low-income families which, due to their lack of education, do not have adequate family planning, according to deputy Xavier Ledesma.

7717

CSO: 3348/516

# ECONOMY REPORTEDLY SHOWS SIGNS OF IMPROVEMENT

Quito EL COMERCIO in Spanish 27 Jul 84 p A-4

[Editorial: "Data on Economic Reality"]

[Text] We extract these statements from a bank report. They undoubtedly agree with the reality of the national economy. In the first place, "within the general situation of the economy of the Latin American countries, Ecuador's situation has seen a modest improvement." Secondly, despite so much difficulty and adversity, the situation improved at the beginning of this year due to the joint efforts of the public and private sectors. Finally, a greater or complete economic rehabilitation will take several years so it is utopian to think that the difficulties will be eliminated soon. This point must be considered so that there are no deceptive promises on one side or exorbitant demands on the other.

Actually those statements agree with what we have noted in this column, always seeking a just and balanced concept....This sense of justice does not exist when it is thought or said that the entire process of the economic crisis is due exclusively to the economic policy of the government. This attitude ignores the effects on the country of disastrous economic phenomena and does not consider the inevitable repercussions of the international economic crisis. It remains without question that some favorable change in the economic sector has begun. It should continue in a planned and disciplined way, without forgetting that efforts must intensify with the years which do not allow any letup.

It is also undeniable that coordination between the plans of the public sector and the needs and aspirations of the private sector has been noted in recent months. That joint harmonious action should not be a passing thing but something permanent and progressive. In our time, the phenomena of internal disintegration or lack of understanding among the different socioeconomic forces have alarmingly harmful results. It is understandable and natural that there are fights and disagreements in the field of politics but they should not compromise the unity of action that must exist for progress to prevent national ruin.

The final observation on the inevitable need to maintain an energetic work rate for years in order to achieve an almost total recovery needs no reply. Therefore, a sense of moderation should prevail in demands that at times become violent as we have seen in recent years. In addition to strikes in the labor

sector, we have seen rebellion by the provinces that have stopped working to demonstrate some demand or protest. Because of this, the country in general has had to suffer incalculable harm. This must serve as a very educational experience for us from now on.

We should continue noting and emphasizing the data that economic reality presents to us, a reality that we will not be able to change favorably with disorientation or premeditated confusion.

7717

CSO: 3348/516



## ENERGY MINISTER RELEASES OIL RESERVE, PRODUCTION FIGURES

### Oil Reserves

Quito EL COMERCIO in Spanish 24 Jul 84 p A-6

[Text] Proven recoverable oil reserves in the country totaled 1,001,000,000 barrels as of December 1983, according to the Ministry of Natural Resources.

These reserves, plus the increase that should be obtained through the exploratory programs, insures that Ecuador will continue to export oil until the middle of the 1990's, according to official information.

The Ministry of Natural Resources indicated that this situation could be even more positive if the drilling in the precretaceous area and the exploration done through contracts being negotiated with foreign companies both in the area and in the sea yield favorable results.

The total proven recoverable reserves is more than in 1980 (973.7 million barrels of oil) despite the fact that the country has produced 225.7 million barrels between 1980 and 1983.

### Oil Production

Quito EL COMERCIO in Spanish 25 Jul 84 p A-6

[Text] Drilling for hydrocarbons in the last 5 years required an investment of 5,664,000,000 sucres. This includes 24 exploratory wells--3 of them in the Gulf of Guayaquil--and 118 development wells, according to the Ministry of Natural Resources.

As to production operations, the document indicates that 78,183,000 barrels of oil were extracted in 1979 with a daily average of 214,000 barrels.

This year the country is producing 261,000 barrels per day. It is estimated that the total volume this year will be 95,265,000 barrels.

The increase in production explains why, in spite of a deterioration in prices on the world market beginning in 1980, the oil contribution to the national treasury in foreign currency revenue has had a rising trend.

In 1980 Ecuadorean crude oil was sold at \$35 and total revenue for these exports reached \$1.17 billion.

In 1983 the price of oil was \$27.70 but foreign currency revenue reached \$1,407,000,000.

Although in 1984 there has been a slight drop in crude oil prices, government revenue will be similar to that received last year.

7717

CSO: 3348/515

# CONSTRUCTION OF LARGE OIL REFINERY ANNOUNCED

Quito EL COMERCIO in Spanish 26 Jul 84 p A-6

[Text] The construction of the Atahualpa refinery begins the largest planned project in the history of the country. The execution of this first segment means an investment of \$900 million, about 36 percent of the total that will be needed for the installation of the industrial complex in the Santa Elena Peninsula. At the same time, the country will have to almost double its current oil quota in order to supply the refinery beginning in 1990, according to official estimates announced yesterday.

According to Patricio Ribadeneira, manager of CEPE [Ecuadorean State Petroleum Corporation], the construction of the Atahualpa refinery and its additional projects constitutes the most important project that has been planned and will be constructed in Ecuador.

He indicated that the industrial complex that will be built in the peninsula includes a pipeline system to transport the raw material and by-products, a project to explore for and exploit gas in the gulf and industrialization through a fertilizer plant and the construction of another polypropylene plant that will use the by-products of the Atahualpa refinery.

The plant will be located on Santa Elena Peninsula and will process 75,000 barrels per day, plus 19,400 barrels per day of reduced crude oil from the La Libertad refinery.

Its construction is justified because of the growing demand for distillates in the country. He said that this forced CEPE to find a refining plan that optimizes production of those products with the lowest production of fuel oil.

This plan led to construction of an integral plant that includes the following units: atmospheric distillation, vacuum distillation for reduced crude oil, visbreaking, vacuum distillation for visbreaking boilers, FCC [fluid catalytic cracking] and concentration of gases.

It also includes mercox units for gasoline, GLP and jet oil, treatment of fuel gas, recovery of sulfur and propylene and installation of auxiliary services and storage.

7717  
CSO: 3348/515

**ANEP OPPOSES REGIONAL TARIFF INTEGRATION**

San Salvador LA PRENSA GRAFICA in Spanish 9 Jul 84 pp 3, 27

[Text] The National Association of Private Enterprise (ANEP) has expressed its deep concern over the attempt to include our country in the regional tariff and customs system which would handicap El Salvador and benefit others.

Categorically opposed to such a situation, the National Association of Private Enterprise has issued the following statement to the press:

"The National Association of Private Enterprise (ANEP) is concerned about the intent to apply the Draft Agreement on Tariff and Customs System in our country.

"For some time now the governments of the area have been preparing this integrationist document that, logically, is based on the perspectives, appraisals and interests maintained within the public realm; at the same time, sectors of the private initiative in our different countries of the region (with the exception of Nicaragua), have also concerned themselves with the preparation of another Alternative Tariff document that includes and sets forth the criteria of the aforementioned sectors.

"A self-evident fact worth emphasizing is the unequal development among our diverse countries, the situation of each being very difficult, especially economically..

"This imbalance has become more marked due to the prostration and stagnation of the Central American Common Market whose operation has, to a large extent, been replaced with the signing of bilateral agreements between some countries.

"It is also apprent that the economic problems of neighboring countries of the region affect El Salvador most acutely, for having suffered, for more than 4 years, a war of aggression stoked from abroad, which has destroyed all kinds of works and products including roads, bridges, crops ready for export, means of transport, etc., all of which has been translated into a budget deficit that is virtually bankrupting the country.

"By virtue of the above, ANEP believes that the Salvadoran Government should assume a position on the Tariff and Customs Draft, that takes the following into account:

"1) Be prudent and not allow itself to be led into a deal that commits us to accept new tariffs during such a precarious period of our economic survival;

"2) Draw upon all resources and energies necessary to contain the strong pressures of international technocracy like SIECA, ECLA and others like them who try to fulfill their own work plans without concerning themselves about the real situation of the countries in which they attempt to implement such plans;

"3) Carefully weigh the consequences that could result for our industrialists, dealers and businessmen in general from the adoption and application of the new agreement on Tariff and Customs System during the difficult time El Salvador is experiencing, without any indication that it will improve over the short term, especially considering the worldwide economic crisis, particularly in the Latin American countries that are beset with heavy debt.

"Additionally, the fact that another Central American country would benefit from the application of new tariffs, as is the case in Costa Rica, should not oblige or commit the Salvadoran Government to adopt them too, considering our situation is completely different from that of any other country in the region.

"Lastly, it is obvious that what Salvadoran productive forces need for their rejuvenation are not new taxes or tariffs, but rather all kinds of support, incentives and benefits that would allow them to recover their work and production capacities—which is the only way to overcome the acute economic crisis which is taking its toll on El Salvador, along with the cruel and inhuman foreign war of aggression."

12610

CSO: 3248/733

IRA, ISTA, INDES OFFICIALS EXPLAIN FIRINGS TO LEGISLATORS

San Salvador EL MUNDO in Spanish 18 Jul 84 p 28

[Text.] The Public Welfare Commission of the Legislative Assembly, reportedly summoned today officials of three government institutions to explain why so many employees and workers had been fired.

The first to appear was Alfredo Navas, general manager of the IRA, who turned over documentation on the firings of employees Roberto Soares Garcia, Tomas Orellana, Jose Adolfo Ayala Dimas and Roberto Santos Morales. Navas said that the latter "sold milk for personal gain."

The IRA manager complained about the fact that former managers of IRA are not being summoned for investigation. He added that he has evidence that they committed acts of corruption.

Among the irregularities indicated, Navas cited the case of 18 wholesalers who monopolized corn from June through December of last year. He said that on 8 December one of the wholesalers monopolized 12,000 quintals of corn. In the milk case he added, "Mr Alvaro Saravia ordered 3,400 cartons for himself at 283,000 colons."

Lastly, he turned over the documentation to the commission for them to investigate the milk and corn cases.

ARENA delegate Palma Duke pointed out to Navas that he and other officials had been summoned for having fired many employees and "these antagonistic firings favor the guerrilla movement," he said.

Additionally, Mr Samuel Maldonado, president of the ISTA, appeared before the Public Welfare Commission and presented documents with the names of 225 people who are no longer with the ISTA--some, he said, for having collected wages without having worked, others for false real estate sales and the poor use they made of the institution's transportation, and some through their own resignations. Maldonado said that the number quoted of 500 firings was untrue. He also stated that the firings were "justifiable for incidents of corruption."



The commission heard Alejandro Garay, consultant to the INDES, who explained that many middle managers were asked to turn in their resignations, as was he, and he still has his job. He said that others were fired for misdeeds committed while working and he provided ample information to the delegates about that. Garay appeared on behalf of Prof Jose Alberto Colacho, president of the INDES, who is reportedly out of the country.

12610

CSO: 3248/733

DURAZO ASSOCIATE PLACED AT CENTER OF MULTIFACETED CONSPIRACY

Mexico City POR ESTO! in Spanish No 121, 9 Aug 84 pp 3-5

[Article by Mario Menendez Rodriguez; passages enclosed in slantlines printed in boldface]

[Text] POR ESTO! has decided to inform the public of the serious affairs that are taking place today at EXCELSIOR because the /drug trafficking mafia/:

1. is directly involved in the murders of journalists Manuel Buendia Tellez Giron (Federal District) and Javier Juarez Vazquez (Veracruz);
2. is on the verge of enjoying complete control, through narcotics, dens of iniquity, money and terror, over the Mexican Republic's leading newspaper, with unforeseeable repercussions on information and opinion;
3. has accredited as "journalists" known criminals from the various metropolitan police forces, primarily the former secret service known as the Federal District Police Intelligence Department (DIPD), and these criminals, among other things, are providing protection in the form of /disinformation/ for mass murderer Arturo Durazo Moreno, who is being held in Los Angeles, California, as well as many other criminals who are holding positions of public responsibility in the current administration;
4. is attempting to subject "The Newspaper of National Life" to a policy of pressure, blackmail and imperialist destabilization; and
5. has prostituted, to an unimaginably extreme degree, many members of the journalistic profession.

What is even more serious is that the highest officials of the federal government have knowledge of the above, through the General Office of Social Communication of the Presidency of the Republic, as do the vast majority of journalists who work for the print media, television, radio and the movies. That includes the very people who are in charge of the investigation of the aforementioned crimes.

## The Ineffable Victor Payan: "Colonel" and "Journalist"

Director of public relations for "El Negro" and responsible as well for the pages of EXCELSIOR where the column known as "Nota Roja" is printed, Victor Payan achieved the rank of "colonel" of narcotics and of "great corruptor" at Police and Traffic during the "administration" of Arturo Durazo Moreno. The latter, a "general" by presidential decree—just how much of this mockery will people take?—amassed a personal fortune through drug trafficking, extortion, smuggling, assault and countless crimes (including that of Rio Tula, which enabled him to rake in more than 100 million of the pesos that were not as devalued as today's are), totaling /several billion dollars/—and this is in no way an exaggeration—part of which is now being used to buy the conscience of journalists in the United States, both native and foreign, and of course to distribute among the even more corrupt members of the Los Angeles Police Department. This explains why, under the guise of providing the traditional "journalistic" coverage of the Olympic Games and undocumented aliens, among other matters, Payan is now in California as a "/special correspondent for EXCELSIOR./"

Victor Payan's real job—and we remind the reader what our reporter Javier Nava Flores has already accused this person of murder, drug addiction, supplying narcotics, influence trafficking, and defrauding the public treasury (see POR ESTO! numbers 99, 100, 101, 102, 103, 104 and 105)—his real job, we repeat, was assigned to him by the international drug trafficking mafia, and consists of the following:

1. to determine Durazo Moreno's state of mind; 2. to control relations between the attorneys and certain specified public officials, some of them with ties to the judiciary (read: Magistrate Salvador Martinez Rojas, former Prosecutor Agustin Alanis Fuentes, and Abraham Polo Uzcanga, director of preliminary inquiries for the Federal District Attorney's Office, among others), to ensure "better consultation" regarding the handling of the file;
3. make sure the Los Angeles Police Department "is satisfied" (\$); and
4. control all journalistic information on "El Negro".

If the dispatches transmitted by the "special correspondents" of the various newspapers of the nation's capital are carefully analyzed—who doesn't owe "favours" to the celebrity from Cumpas, Sonora?—the reader can detect Victor Payan's notable "/economic influence./" Such influence was also apparent on Monday, 9 July, when the authorities of Terminal Island, where the former chief of police and traffic of Mexico City is being held, confiscated two rolls of film from two journalists—this appears to be the exception that proves the rule—who had been assigned to report on the "Durazo Moreno case." Due to these "rare coincidences," this case appears not to be of terribly great interest to the owners of U.S. newspapers.

The mafia knows that if Durazo Moreno were extradited, he "would sing everything including 'Aida,'" which would not in any way serve the interests of the international drug traffickers. Thus, in view of this situation, "El Negro" would be physically eliminated before his arrival in Mexico. If the former chief of the metropolitan police under the Lopez-Portillo administration managed to stay in the United States, however, the mafia could oversee him and

control him here; in other words, he would be their "prisoner." therein lies the possibility that "General" Durazo Moreno would save his skin; that is, if he manages to elude extradition and "reside permanently" in Los Angeles, where the police, we repeat, are not terribly concerned with scruples and professionalism.

Needless to say, organized crime tried in many ways to prevent Durazo Moreno's arrest, which could only have been done by the FBI, according to all indications, because the links between Interpol and the mafia are well known. And one of the means chosen to achieve that objective was EXCELSIOR itself, where the ineffable Victor Payan plays a key role.

#### Drug Movements and Conspiracy at EXCELSIOR

The operation was aimed at "making every EXCELSIOR journalist a drug addict," and the narcotics offensive carried out by Durazo Moreno's director of public relations achieved its peak during the final months of Jose Lopez-Portillo's administration. During that time, two groups on the editorial staff of the "Newspaper of National Life", led by Director General Regino Diaz Redondo, were noted for their increased dependence on hard drugs and alcohol. Unfortunately, they forgot their professional duties and in fact delegated their responsibilities to the very person who did and still does supply them with cocaine, heroin, etc.: Victor Payan, whom the international drug trafficking mafia always backed generously through "El Negro," then the omnipotent chief of police and traffic in the Federal District, whose criminal activities were always well known to government officials.

Payan did not waste time. With the cooperation of, among other people, the current assistant manager for production and member of the cooperative's oversight council, /Rodolfo Flores Rivera,/ who is also a drug addict, a trusted "compadre" of the "colonel," and was in charge of public relations for Durazo Moreno; that of /Manuel Camin,/ who has ties with known pimps and drug traffickers, such as /Manuel Salazar,/ with whom he shares an interest in the drug dens /El Ring/ (across from the Coliseum Arena), /El Napolitano/ (Chapultepec and Orizaba), /Los Marcianos/ (Bucareli, near the Reloj Chino), /El San Luis/ (on Calle San Luis Potosi); that of /Ricardo Mendieta,/ who worked at the office of the president of the republic (during the first days of the Lopez-Portillo administration) at the side of the present governor of Aguascalientes, Rodolfo Landeros, and later, in complicity with one of his brothers and with Lopez-Portillo's nephew, Martinez Vara (a fugitive from justice), became involved in smuggling large quantities of drugs, sugar and lubricants, for which he used the /telex/ machine of none other than the newspaper EXCELSIOR (the reason for his expulsion from the cooperative); that of Commander /Jorge Cruz/ of the Federal Judicial Police, as well as dozens of former agents of the Division of Crime-Prevention Investigations (DIPD), all of them "accredited" as EXCELSIOR "journalists," he organized a band that devoted itself to the administration of corruption and terror, as well as the massive distribution of drugs, and to finding high-level positions in the various departments for their followers in order to control the cooperative, and therefore the newspaper EXCELSIOR.

The plot thickened considerably in December 1983, when Victor Payan orchestrated a summary proceeding and expelled his bitter enemies from the EXCELSIOR cooperative: /Julio Pena de la Torre and Pedro Contreras Nino,/ editors of the first and second editions of ULTIMAS NOTICIAS, respectively; and /Isabel Zamorano, Arturo Rios Ruiz, Mario Ruiz Redondo, Carlos Herrera Landecho, Jose Luis Oviedo, Roberto Gonzalez Perez, Norberto Martinez Fernandez, Genaro Carrasco Rebollar, Homero Jimenez Centella, Jorge Castellero del Saz, Juan Rivas Ramirez, Carlos Camacho and Armando Rios Ruiz./

Payan and the international drug trafficking mafia have always been mindful of the personal enmity between current President Miguel de la Madrid and "General" Arturo Durazo Moreno, which is why they are concerned about protecting the withdrawal of the mass murderer of Tula and his closest collaborators: Francisco Sahagun Baca, Reynaldo Lopez Malvaez, Daniel Molina Miranda, Carlos Bosques Zarazua, Carlos Cisneros, Humberto Toledo Moreno, Adrian Carrera . . . and of course, Victor Payan himself, above all. What better way than to control the most influential organ of information in the Mexican Republic to exert pressure, practice blackmail and direct the destabilization?

Anderson, \$62 Million and Murder of Manuel Buendia Tellez G.

The pressure exerted by public opinion on the current federal government, which has committed itself to the so-called "moral renewal" campaign, forced President Miguel de la Madrid Hurtado to request that Durazo Moreno be caught and extradited. Once the former chief of police and traffic of the Federal District was cornered, the drug trafficking mafia came out in his defense by playing a powerful card of international pressure: some alleged documents that prove that President de la Madrid deposited the sum of \$162 million in Swiss banks. These documents were given to Victor Payan by very high officials of the previous administration (Hank Gonzalez and his cronies were not unaware of the transaction) so that he could turn them over to U.S. journalist Jack Anderson, whose ties with the CIA are undeniable, for publication in numerous U.S. newspapers. The idea was to kill two birds with one stone: a) strongarm de la Madrid in the /Durazo Moreno case,/ and b) weaken him even further on the eve of his meeting with the /cowboy/ in the White House, Ronald Reagan.

This was where Manuel Buendia Tellez-Giron, author of the column /"Red Privada"/ [private network], was about to enter the picture. His column was distributed to subscribers (EXCELSIOR in Mexico City) by the Mexican Information Agency, headed by Jose Luis Becerra.

Manuel Buendia, a man who enjoyed the confidence of the presidential administration, /which was fully aware of all the above facts,/ set out to respond to the offensive by the international drug traffickers. He would have begun with precisely what is going on today at EXCELSIOR, but the bullets fired by a /policeman/ in the service of Victor Payan put an end to a life devoted to the most just causes.

The mafia's bullets also snuffed out the life of the young journalist from Veracruz, Javier Juarez Vazquez, but we will cover that story in the next issue of POR ESTO!.

**Meanwhile:**

**What is the administration waiting for? Why doesn't it proceed with the prosecution of murderers such as Victor Payan, who incidentally is now trying to place the criminal Ricardo Mendieta in the post of director general of EXCELSIOR?**

**8926**

**CS0: 3248/728**



GOOD WORKS OF MEXICALI ALTERNATE CITY COUNCIL DESCRIBED

Mexico City LA NACION in Spanish 1 Jul 84 pp 6-7

[Article: "In Mexicali, Alternate City Council Teaches How to Govern"]

[Text] Last Thursday, 24 May, in the oldest, most depressed neighborhood of the city of Mexicali, Pueblo Nuevo, 14 families were left homeless, having lost all of their belongings as the result of a fire.

Upon finding out about the disaster, the alternate city council of Mexicali, at the call of its president, Eugenio Elorduy Walter, began a public relief collection so that the heads of the affected families might have some immediate help with food, water and clothing. The collection, carried out for a day and a half in the downtown area, resulted in nearly 6,000 pesos for the head of each family, as well as gifts of clothing and furniture, thanks to the generosity of the people of Mexicali. All was distributed by the officers of the alternate city council, Luis Sanchez Vazquez, Rafael Morgan Alvarez, Alfredo Arenas Rodriguez and Estela de Velare and, of course, by its president, Eugenio Elorduy.

This expression of generosity by the people of Mexicali caused the spurious city government of this capital to imitate the work of the alternate city council, as is now customary, and a week later it sent the heavy city equipment to remove the rubbish and ruins from the disaster.

The general comment of the affected people was, "If Eugenio Elorduy and the alternate city council hadn't come, the city government would never have thought of us."

By agreement of the alternate city council in a public meeting on 6 June, the engineer Edmundo Estrada, member of the council, was commissioned to work up a budget and plans, which were approved; construction began at once on 3 irrigation trenches, 3 sanitary sewers and 4 lavatories so that the 14 families could count on the essentials for hygiene and health while they carry out the reconstruction of their dwellings.

#### PHOTO CAPTIONS

1. Thanks to the response of the people of Mexicali to the call of the alternate city council, it was possible to give immediate aid to the fire victims.
2. The president of the alternate city council, Eugenio Elorduy Walter; engineer Alfredo Arenas and other members of the alternate city council gave the money collected publicly to the victims.

Later the usurping city government sent equipment.

3. Last 24 May, the alternate city council, headed by its president, Eugenio Elorduy, publicly began the reforestation of an area of Justo Sierra Boulevard, showing what urban gardening should be and also to continue demonstration that the members of the PAN [National Action Party] do what they say and say what they do.

Elorduy was the first to take the shovel. Since the spurious city government found out at once, it almost immediately ordered municipal personnel to begin reforesting the rest of Justo Sierra and Benito Juarez Boulevards. The people of Mexicali know quite well who it is that makes the usurpers work.

The alternate city council's replanting budget was 12,500 pesos, most of which was spent in this first sample of urban gardening.

12472

CSO: 3248/715

INTERIOR OFFICIAL DESCRIBES SOUTHERN BORDER CONCERNS

Monterrey EL NORTE in Spanish 17 Jul 84 p 1-A

[Article by Cosme Haces]

[Excerpt] If the influx of Guatemalans to our country is not drastically reduced, within 6 years at the current rate, there will be around 400,000 refugees on the southern border of Mexico.

They will be an explosive element for that region and a destabilizing element for Mexico in general.

The southeast runs the risk of becoming another Lebanon, of having a repetition here of what the Palestinian refugees did in that Middle East country.

The danger is so much greater for Mexico if one considers that the refugee camps are in the region of Chiapas, where we have the large dams of La Angostura, Chicoasen and Mezahualcoyotl, which provide a high percentage of the electricity that Mexico uses.

The foregoing does not even take into account the fact that the area is also near the extensive oil fields of the Gulf of Mexico.

In the camps, about 70, which now extend along the border with Guatemala, there is an intense arms traffic, as EL NORTE was told by a high-level source in the Interior Secretariat who wishes to remain anonymous.

According to our source, there is evidence that Guatemalan guerrillas who flee to hide in Mexican territory are in those camps, and many of the refugees are also relatives of guerrillas and can thus give them shelter on this side of the border.

Because of this, our source explained, there is an intense misinformation campaign among the refugees in the camps, so that they will refuse to move to the relocation sites that Mexican authorities have established in other areas, far from the Guatemalan border.

Guatemalan natives who have taken refuge in our territory have been told that if they let themselves be moved to Campeche or other places, they will die; they won't be able to stand the heat, the mosquitos will kill them and the women will give birth to dead babies.

All in order to keep these people on the border.

EDUCATION SECRETARY BRINGS CHARGES AGAINST ACCUSERS

Mexico City PROCESO in Spanish No 401, 9 Jul 84 pp 28-29

[Article by Maria Esther Ibarra]

[Text] The people who filed suit against Secretary of Public Education Jesus Reyes Heróles for allegedly embezzling 1 billion pesos have in turn been sued.

As unusual as their suit was the subsequent position taken by the four accusers of Reyes Heróles. When they were asked to confirm their accusation, two of them denied having made it and claimed that their signatures had been forged. The other two acknowledged it, but admitted that "they did not have sufficient evidence."

Reyes Heróles filed a countersuit, accusing them of the crimes of "slander, fraud, false statements to non-judicial authorities, and improper change of address."

Also unusual, however, were the first actions taken in the education secretary's countersuit, which accused all four plaintiffs equally. But only one of them—one of those who now deny having filed charges against Reyes Heróles—was remanded and freed on 100,000-peso bail. The other three have not been detained.

On 22 May, the Office of the Attorney General of the Republic (PGR) filed suit number 024707, with charges pressed by Lorenzo and Jose Luis Gonzalez Meza, Eulalio Rivas Hernandez and Javier Gomez Xolalpa. They accused Reyes Heróles of "inflating costs of construction, expansion and renovation on projects in seven departments of the National Polytechnic Institute. They also claimed that he "diverted funds from the educational sector for personal use."

The PGR concluded from its investigations that the suit was groundless, and although it left open the record in preliminary inquiry number 343/84, it decided not to prosecute the secretary of education, according to the official spokesman of the Attorney General's Office, Eduardo Andrade.

An attempt was made to involve the Lazaro Cardenas Independent Petroleum Movement, a dissident faction of the national union of Mexican Petroleum (PEMEX), in the affair because of some consultation provided by Jose Luis Gonzalez Meza.

Maximo Ayala Hernandez, leader of the Independent Petroleum Movement (MPI), denied any participation, explaining: "We have nothing to do with the suit or with Jose Luis Gonzalez Meza, whom we know through a follower of Joaquin Hernandez Galicia who infiltrated into our organization."

Hernandez Ayala stated: "In 1983, Gonzalez Meza came to advise us on a suit against Hernandez Galicia, but he wanted us to compromise the movement. We refused, and we severed all ties with Gonzalez Meza."

Rivas Hernandez was the first defendant to be remanded; he was later freed on a 100,000-peso bail bond. Although he confirmed that charges had been filed, he confessed that he really was not familiar with the projects involved in the accusation of the education secretary, and said he had filed the charges "because the official is personally repugnant to me."

At the same time he filed his countersuit, Reyes Heróles ordered a full-scale audit of the Polytechnic Institute.

8926

CSO: 3248/728

HOMETOWN OF PLANNING SECRETARY'S FAMILY UNDERGOING FACELIFT

Monterrey EL NORTE in Spanish 6, 7 Jul 84

[Article by Manuel Rivera]

[6 Jul 84 p 1-B]

[Text] The secretary of programing and budget, Carlos Salinas de Gortari, has not forgotten the town of his ancestors despite being in power. The government and inhabitants of Agualeguas, Nuevo Leon, agree on this.

The people of this town are not flattering their governors so that they will pay attention to Agualeguas. They already enjoy or are about to enjoy projects that are radically transforming the small town.

The urban renewal and adaptation of public services that are converting Agualeguas--land of Senator Raul Salinas Lozano, father of the secretary of programing and budget--into a model capital city are as follows:

- A. The access road to the town is being expanded and will have four lanes.
- B. The largest and most modern bullring in the state was constructed with colonial arches and design.
- C. About 80 percent of the houses in the town have been painted one of four different colors that range from Mexican rose to ochre.
- D. The old municipal palace has been demolished and will be replaced by a modern functional building.
- E. The main plaza is being remodeled and a new kiosk constructed.
- F. A Civic Center is almost finished. It includes a library with shelving and a professional book classification system.
- G. It also has an audiovisual room, a conference room and an outdoor theater.
- H. A Conasuper completely air conditioned and stocked with food, clothing and household utensils is open for business.



I. The town already has storm and sanitation sewers.

#### Superhighway

The two-lane road that goes 12 kilometers from the neighboring town of General Trevino to Agualeguas will very soon be as wide as any road in Monterrey.

For the residents, the cloud of official trucks, machinery and workers from the state government and the federal public works department that invaded the town a few months ago is already part of the landscape.

The municipal building was demolished but construction of a more functional and attractive one will soon begin.

The central and northeastern sectors have sanitation sewers and there are storm sewers in the low parts.

Contrast between the new projects and the old has been reduced by the recently painted facades of most houses.

The "boom" in Augaleguas is even reflected in the attitude of the municipal secretary, Agustin Gonzalez Longoria, who tried to give the reporter a "gratuity" of 10,000 pesos for his transportation expenses.

Approximately 130 kilometers from Monterrey, this town today experiences one of the most marked transformations in the state.

The 5,000 inhabitants of the capital city live in what some could call a "model town," at least in reference to the public works there.

"He (Salinas de Gortari) was not born here; he is from Mexico City. However, he has not forgotten the town of his parents," stated the saleswoman in a grocery store. Her tone gave recognition. She agrees with the opinion of the residents with whom she chats.

The first surprise for the visitor is the 12-kilometer road from General Trevino to Agualeguas.

Both sides of the road are cleared. Therefore, it could easily be a four-lane superhighway in the future. However, the city hall spokesman indicated that this will not happen since the plan is simply to expand the existing two lanes.

The clearing ends and the paving begins at the entrance to the town. Here the road has been expanded to four lanes so the traveler has the impression of arriving at a larger town.

Almost immediately on the left is the "Adriana Margarita" bullring. According to residents of the area, it was named in honor of a daughter of the secretary of programing and budget.

The bullring is built of concrete with elegant coffee tones. The outside of the ring has arches with lamps on them. There are 11 rows of roofed seats,

five box seats, refreshment areas with mosaic walls and a judges' tower with a tile roof and black wrought iron.

Downtown, the main plaza is being remodeled by workers who eagerly work on the kiosk and the gardens.

The Civic Center is painted a coffee color that harmonizes with other new construction like the Conasuper and the bullring. In order to finish it, more than 100 men came to work one day.

Its architecture also has colonial features with details like wrought iron on the balconies and lamps on its walls.

It has room for the police command, civil register, treasury, municipal archives, municipal secretary, mayor's office, library, auditorium and outdoor theater, among others.

The Conasuper has the same architectural lines. However, it is modern inside.

It has a better assortment of merchandise which is better displayed than in some stores in the metropolitan area of Monterrey. It also has air conditioning, the usual departments for self-service stores, parking and three cash registers. Residents of the municipalities of Paraiso and General Trevino usually shop here.

Changes planned for Agualeguas include the remodeling of the Los Nogales recreation center 3 kilometers from the capital city along an excellent road. It is next to the home of Carlos Salinas Lozano, the secretary's uncle.

None of the projects has been officially inaugurated yet.

What is the cost of these projects? Gonzalez Longoria said that the town does not know but perhaps the state authorities have that information.

He explained that the town is only responsible for supervising the work on the projects and taking care of them.

[7 Jul 84 pp 1-B, 15-B]

[Text] Graciano Bortoni Urteaga, secretary general of the government, indicated yesterday that the work of Senator Raul Salinas Lozano and this popular representative's attachment to his land are an important part of the urban renewal of Agualeguas.

That town, birthplace of the father of the secretary of programming and budget, Carlos Salinas de Gortari, has a population of approximately 4,000. They enjoy or will enjoy projects that are transforming it quickly.

Those changes include a bullring--by far the best in Nuevo Leon--named Adriana Margarita after a daughter of the secretary of programming; a beautiful Civic Center with all the necessary installations to be the headquarters for the

political and cultural activities of the region; sanitation and storm sewers; and a modern Conasuper better stocked than many stores in Monterrey.

In addition, 80 percent of the houses in the town have been painted one of four colors.

The incompleted projects include the road to this town which will be broader than many in the state capital, remodeling the main plaza where a kiosk is also being constructed and a new municipal building.

#### Salinas' Affection

"Aguaaleguas is a town where Senator Salinas Lozano's affection can be clearly noted. He has had his hand in there for many years, helping transform his town.

"I believe it is praiseworthy that a representative wants to improve the conditions of his town....

"In our families we first give to our children. Then if there is a little left over, we give to our nephews. If there is still more left, we give to our neighbors or friends. Therefore, it is good that the representatives are concerned about the state and their places of origin," stated the secretary of government.

Bortoni Urteaga indicated that in addition to the senator's actions, amendment of Article 115 of the Constitution and support from the state and federal governments have contributed to the Aguaaleguas project.

He stated that this town demonstrates the support that amendment of Article 115 of the Constitution means. It gives the towns more resources to change their image and strengthen their economies.

He indicated that this is not only happening in Aguaaleguas but, to a greater or lesser extent, in the majority of the towns in the state.

"Naturally in Aguaaleguas, the senator has worked--as did Martinez Dominguez when he was a federal deputy--to bring benefits to the entire District IV. It is good that there are state representatives who negotiate resources to improve the image and transform the towns.

"This demonstrates that there are representatives in Nuevo Leon who work to improve their towns of origin."

He explained that Senator Salinas Lozano is not the only one working for his place of origin. Senator Raul Caballero Escamilla and all the deputies do the same.

"That demonstrates to you that the representatives are working. They are concerned about the solution and change of images and transformation of the state and the towns.

"It is good that they give preference to their towns of origin. It would be strange if they did not."

SENDERIST INTERNATIONAL COMMITTEE OPERATES IN WESTERN EUROPE

Lima OIGA in Spanish 30 Jul 84 pp 26-28, 66

[Exclusive from Paris by Alberto Ku King M., ANSA special correspondent:  
"Following the Sendero Trail in Europe"]

[Text] The subversive activities of the Shining Parth movement, which declared a guerrilla war against the Peruvian democratic system in 1980, will no longer have the "symbolic" nature of recent years; from now on, its guerrilla operatives will be of "greater scope" starting this August. (It is not known whether these acts will be part of the Senderist offensive started in June, or whether they will mark the beginning of the "great leap" that Shining Path has been announcing for several months.)

This is, in brief, the warning issued by the International Political Committee operating in this capital and other leading West European cities where the Maoist movement, Shining Path, is engaged in a widespread proselytizing campaign to politically discredit the government of President Fernando Belaunde Terry.

For about 2 years, Shining Path has directed an international publicity system, through pamphlets, magazines and books that are published clandestinely in France, Spain and the Netherlands.

In some of its proclamations, the movement describes itself as the liberator of the oppressed classes in Peru and standard-bearer of the armed struggle along the line of the late Chinese leader, Mao Tse-tung.

Shining Path claims that the only political space in Peru belongs to the oppressed classes, and that the latter, combined in support bases, will have the capacity to "respond" to the military forces that are suppressing subversion and terrorism in Peru.

Death Sentence Against Political and Military Authorities

The main goal of Shining Path is the seizure of power. Nevertheless, in its pamphlets it mentions phases of the people's war and the way in which the popular sectors (primarily peasants, workers and students) can contribute to the "bankruptcy" of the democratic system.

The most impacting aspect of the Shining Path threats is the "sentence" passed against many political and military authorities governing Peru.

In the pamphlets it overtly states that the revolutionary success will not be achieved if those responsible for the social and economic crisis that Peru has been experiencing for many years remain living.

The spokesmen for Shining Path in Western Europe are apparently those in charge of publicizing the movement's political plans and the possible action of a military type being taken in Peru through the "armed platoons" of the so-called "revolutionary people's army."

Although Shining Path's proclamations have not been reiterated in the morning papers in Paris and Amsterdam, its proselytizing campaign has not escaped the interest of European intellectual and student groups, most of which are associated with some type of ostensibly revolutionary manifestation.

#### SL's Political Branches in Europe

The International Political Committee of Shining Path which, it is claimed here, is affiliated with the International Revolutionary Movement, operates clandestinely in Paris, and makes statements only through documents and pamphlets which politically challenge the democratic system and all the legal institutions in Peru.

On several occasions INTERPOL has conducted investigations to identify the sites of the clandestine issuance of Shining Path documents and the identities of its mentors.

There are several thousand Peruvian youths living in Paris, most of whom are students and artists, who do not conceal their sympathy for the movement headed by the thus far enigmatic Abimael Guzman Reynoso, a former university professor who went into hiding over 4 years ago in Peru.

Several groups have been identified as political branches of Shining Path in Western Europe. Included among the most important (owing to the frequent number of their publications) are the Proletarian Movement of Peru, the Amauta Intellectual Group, the Movement for the Liberation of Peru and the Jose Carlos Mariategui Artistic and Intellectual Front, among others.

#### 'National Liberation Is Near'

Everyone is in agreement on the Shining Path plans to bring about the "bankruptcy" of the Peruvian constitutional regime and to thwart the forthcoming general elections planned for April 1985.

Although they do not mention how the collapse of the Peruvian political system will be caused, Shining Path maintains that the boycotting of the entire productive system will be critical for the "dismantling of the corrupt semi-feudal and semi-colonial system in Peru."



Some young Peruvians studying in Paris told the author of this article that Shining Path is the "only political formula" for bringing about a radical change in the economic and social system in Peru.

They think of Shining Path as the inspiration of the oppressed people and the bulwark of those who, from a Marxist-Leninist-Maoist position, believe that national liberation "is near."

It is difficult to specify the place of origin or identity of the members of Shining Path's International Political Committee, but it is a fact that the proselytizing dissemination system exists and operates in Western Europe.

Many European organizations, most of which are concerned over the underdeveloped peoples of the Third World, are receptive to the opinions and statements of Shining Path.

#### SL in the European Universities

Some of these organizations are contributing, directly or indirectly, to the financing of the publications printed by Shining Path in Europe.

To gain sympathizers, the Peruvian Maoist movement distributes by mail a group of pamphlets with a political content among hundreds of European students.

It is not known how the voluntary contributions from the sympathizers arrive, but the university realm is the best channel for collecting small funds that would allow for the more or less regular printing of many publications and messages by mail.

For example, it is not uncommon to observe in the Paris universities young French or German students discussing the Peruvian situation and the Shining Path phenomenon. In nearly all of them there is evidence of a sympathy for the group and overt condemnation of the regime of President Fernando Belaunde Terry.

In Rome, also, there has been a similar phenomenon, although with less intensity. The students learn about the problem from the press reports, which always underscore the most gory incidents of violence in Peru.

Apparently, the most overt and synchronized network of Shining Path's International Political Committee is located in Madrid and Barcelona. The movement's pamphlets and leaflets circulate with great profusion in these two cities.

The cultural and intellectual centers are the main recipients of the Senderist "literature," as Shining Path's documents are usually termed.

#### The Senderist Propaganda Penetrates Deeply

Shining Path gives European readers the idea that in Peru a genuine armed revolution is under way, amid a martial law imposed by President Belaunde



Terry's government. It is asserted that the jails in Peru are filled with political prisoners and that torture has become institutionalized.

It is also claimed, with some details little known, even in Lima, that the government holds political figures and causes them to disappear, accumulating an impressive number of missing persons.

In the eyes of many of those "interested" in Latin American affairs, Shining Path's disclosures are virtually true. It is thought that a regime of terror of the lowest Third World type prevails in Peru.

The so-called Third World literature also insinuates a series of charges against the democratic regime, claiming that the forthcoming presidential elections will be a farce and that they must be rejected politically and militarily.

In the military realm, the Senderist publications maintain that the constitutional regime is surviving only because of the backing from Armed Forces committed to its political objectives.

One reads in some of the pamphlets: "Now it is up to the people to destroy the repressive forces with simple, unassuming action, later supporting the large-scale operations to be executed by the Revolutionary People's Army."

In the view of European readers of the Senderist literature, in Peru there are now liberated zones, guerrilla zones in extensive sections of the country and support bases among the excluded sectors rising up in the vicinity of the Peruvian capital, known as "Young Towns" [slums].

Abimael: 'Only Candidate for 1985'

Shining Path has also informed the European public that the movement is comprised of guerrilla "columns" consisting of men, women and children, who are received in many cities as "children of the fatherland" about to be liberated.

According to certain European intellectual sectors, Shining Path has a clandestine provisional government, with Abimael Guzman as president of the republic, and supreme leader of the proletarian revolution in Peru.

In the pamphlets, mention is also made of Guzman Reynoso, known as "Comrade Gonzalo" as well, considered the only legitimate candidate of the people to assume the political and military power in Peru in 1985.

It is obvious that many European readers of this type of publication are convinced of what they read. To be sure, there is added to this reading some dramatic report or other about the serious armed incidents in Peru, sponsored by Shining Path in the Andean central region of the country.

Although it is true that Shining Path does not have a Marxist-Leninist political party corresponding to it in Western Europe, it has evoked a certain amount of sympathy among some sectors.

## The Senderist Preaching Has Failed in the European Press

At first, several prestigious publications and newspapers in Western Europe echoed many charges concerning a government policy of indiscriminate repression in Peru. The tones of the editorials and reports were almost never favorable toward the Peruvian regime, particularly when the Lima government accused Amnesty International of mounting a campaign to discredit Peru.

Now, the European press is ignoring the Peruvian incidents associated with the guerrilla war. One article or other, on inside pages, reporting the deaths of 40 or 60 peasants or the assassination of policemen and authorities, is included in the papers.

As ANSA was told by the Peruvian ambassador to the international agencies in Geneva, Peter Cannock, the European press no longer regards what is happening in Peru as news.

Until a few months ago, the European press was depicting a Peru submerged in a virtual civil war. Today, the issue of the moment is the foreign debt of the Latin American countries, including Peru.

In this context, the Shining Path campaign in Western Europe will, according to estimates, be more intense in view of the announced elections, which the movement describes as a trick. In one of its pamphlets, Shining Path warns that the elections will not occur, because the armed people will not allow it.

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## REACTIVATION DECREE TO AFFECT ALL PRODUCTIVE SECTORS

Lima EL COMERCIO in Spanish 31 Jul 84 p A-11

[Text] Legislative Decree 301, called the tax incentives and benefits decree, was published yesterday in the Official Gazette. It declares to be of "preferential national interest the reactivation of all productive agents in economic activity, be they of private, public or mixed ownership, and as a consequence, the corresponding entities of these sectors shall accord them priority attention and shall expedite all necessary processes."

The decree includes a variety of regulations affecting the entire spectrum of production.

### Manufacturing

For fiscal years 1984 and 1985, industrial firms may apply, in whole or in part, the net reinvestable earnings with tax benefits to the formation of working capital in the firm itself.

The same applies to the net reinvested earnings with tax benefits through tax year 1983, under the reinvestment plans approved for the acquisition of fixed assets.

Any industrial enterprises that take advantage of these provisions may not make loans to their subsidiaries or partners for the first 3 fiscal years.

The reinvestment in working capital must be approved by the Ministry of Industry, Tourism and Integration (MITI), in whole or in part, when the economic-financial evaluation of the firm so indicates and to the extent that it contributes to the reactivation and normal development of the productive process.

Reinvested profits, according to this provision, must be capitalized with the tax benefits set forth in General Industry Law 23407.

Industrial firms are authorized to revalue their fixed assets to their market value, as established by experts. The expert report supporting the revaluation shall be submitted to the General Office of Contributions along with an affidavit of revaluation.

For these purposes, industrial enterprises are all those regulated by Law 23407.

The fixed assets that may be revalued are those that were acquired or built before 31 December 1982 and listed on the books prior to 31 December 1983.

The revaluation includes structures, land, fixed and permanent facilities, machinery and equipment, furniture and fixtures and other fixed assets, with the exception of vehicles.

In the case of fixed assets that have been completely depreciated or are in use, the expert report shall establish their market or assessed value and the remaining useful life of such assets, in order to begin their new period of depreciation.

### Industrial Parks

Article 20 declares that it is of preferential national interest to create jobs in established industrial firms or in those which are established in decentralized industrial parks, developed by the state or by private initiative, and in border and jungle areas as stipulated in Article 70 of the General Industry Law.

Participation in the ownership, management and profits of the firms referred to in Article 20 shall be governed exclusively by the System II set forth in Article 106 of the General Industry Law, unless as of the date of this legislative decree the workers have opted for System I, under the corresponding legislation.

The MITI is authorized to sign agreements, in the name of the state, with the firms referred to in Article 20, in order to guarantee the stability of the legal system established and the contents of Decree-Law 22126 for a period of 20 years after the agreement is signed.

### Automotive Industry

Depending on the growth of the market, the MITI may extend the current mandatory percentage of minimum integration in vehicle assembly plants, until market conditions warrant its modification.

This provision does not in any way mean that the percentage of physical integration achieved by the automotive industry may be reduced.

For 48 months after the promulgation of the legislative decree, the state enterprises included in the annual budget law, and the privately held state enterprises and mixed enterprises in which the state is a partner, shall make all their necessary vehicle purchases from the national automotive industry, provided that these vehicles are produced in the country and are listed in the registry of national industrial products.

The construction equipment and machinery that has been brought into the country to date under the temporary importation system, exempt from import

duties in the jungle area, by national construction firms, may be imported permanently or transferred to other areas of the country if the respective duties are paid on the value of the equipment or machinery, depreciated by 20 percent per year. The deadline for taking advantage of this privilege is 30 September 1984.

National construction firms that win in international bidding for construction projects and sign the corresponding contracts may import temporarily into the country any equipment or machinery required to carry out such projects, for a term equal to the duration of the project, upon prior approval by the sector to which the bidding firm belongs.

At the end of the project, the construction firms may permanently import the foreign-manufactured equipment and machinery that they had imported temporarily if they pay the respective duties on the value of the equipment or machinery, depreciated by 20 percent per year.

### Agriculture

The importation of machinery, equipment, tools, tractors and work vehicles, new or rebuilt, including complete or partial systems for sophisticated irrigation and inputs and raw materials for agricultural uses, as set forth in the law on agrarian promotion and development, shall be exempt from duties, including the selective consumption tax. Work vehicles shall include small trucks capable of carrying 1,500 to 10,000 kilos of freight, and four-wheel drive pickups.

The importation may be carried out only by the people who actually drive the vehicles to work the land, with the corresponding certification granted by the Agriculture Ministry.

The traditional export tax on the sale of agricultural products abroad is eliminated.

To promote businesses devoted to agroindustry, decentralized zones are declared in the provinces of the department of Lima, except for the province of Lima and the constitutional province of Callao.

Farmers shall receive promotional rates for electrical power, at the proposal of the Ministries of Energy and Mines, Economics, and Agriculture, respectively.

The Ministry of Economics, Finance and Commerce (MEFC) shall underwrite principal and interest payments on the loans granted to the Agrarian Bank by the World Bank and the Inter-American Development Bank (BID). The equivalent amount of those loans in national currency must be subscribed in that institution's capital as a back-up to the government. The capital of the Agrarian Bank shall increase by that amount.

Agrarian Credit Insurance against "specific risk" resulting from duly qualified natural disasters is created, as well as agrarian, mortgage or pledge exemption insurance.



The Agrarian Bank shall propose to the Central Reserve Bank that a fund be set up in the Central Bank in an amount equal to what producers pay in premiums. That fund shall be used only if the resources derived from the premiums paid by the producers is insufficient.

The FONAVI [expansion unknown] payment shall not be required of agrarian natural and moral persons as long as they provide plots of land with water and sewage service to their workers or turn over the equivalent of the contribution to the Departmental Development Corporations in their district in order to establish a fund for the construction of rural housing.

#### Fishing

The legislation passed during the previous regime regulating small fishing businesses has been derogated, and these firms are placed under the jurisdiction of the Industry Law and the Mercantile Companies Law. Profit sharing by workers shall be covered by Article 107 of the General Industry Law.

Businesses in difficult situations may avoid forced liquidation if the cause of dissolution, referred to in Paragraph 3, Article 312 of the Mercantile Companies Law, is left unsettled until 31 December 1986.

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GOVERNMENT TO REDUCE PUBLIC WORKS EXPENDITURE

Lima EL COMERCIO in Spanish 2 Aug 84 p A-4

[Text] Minister of Economics, Finance and Commerce Jose Benavides Munoz announced yesterday that the government has agreed to cut spending on public investment projects by 400 billion sols in order to reduce this year's fiscal deficit.

He stressed that we are not about to enter a period of paralysis, but rather the execution and completion of several projects (he did not specify which) will be postponed.

The decision was made at the last Council of Ministers, and according to Venavides Munoz, the goal is to reduce the fiscal deficit to the target agreed upon with the International Monetary Fund.

The minister stated, on the other hand, that the government is awaiting the response from the business, industry and commerce sectors on the legal provisions that were approved in order to benefit the consumer.

He recalled that the productive sectors expressed so much concern about the tax rates that, now that the pertinent reductions have been made, "some favorable response should be forthcoming," above all in terms of its effect on the inflation index, translating into a drop in the cost of living.

He denied that there is any contradiction between the decline in inflation (4.6 percent in July) and the rise in gasoline prices (8.6 percent), because the latter includes the cost of obtaining the resources, which will no longer be available due to the tax cut.

Thus, 180 sols of the per-gallon increase in gasoline can be attributed to this factor, while the remaining 120 sols are the result of inflation itself.

No Increases

Later he denied that the government is thinking of granting another wage and salary raise now. "The one we granted recently had a significant impact on the national treasury," he said in statements made at the end of his weekly high-level meeting.

He indicated that the reduction of the general sales tax and the general tax on bank interest rates does not create a financial hole, because the lower amount of revenues is offset by 5 percent of the gasoline increase, as part of the general sales tax is transferred as a selective tax on consumption, and by tariff measures.

#### Unused Funds

He also explained that the surplus of nearly 130 billion sols from reconstruction bonds is on deposit, because there is no legal authorization to invest it.

He announced that a bill will be sent to Parliament to authorize usage of those funds for reconstruction in the north of the country (the reason the bond was created) and the area of Ayacucho.

He reported that international reserves total \$865 million, while the economic plan projected \$600 million. He concluded by stating that the greatest concern now is the yield of public enterprises.

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## **SOUTH KOREA DISCUSSES INDUSTRIAL AID, INCREASED TRADE**

Lima EL COMERCIO in Spanish 2 Aug 84 p A-9

[Text] The president of the Institute for the Promotion of Foreign Trade of the Government of the Republic of Korea, Bong Soo Hahn, arrived in Lima yesterday to meet with national trade officials and representatives of private commerce and industry.

Bong Soo, who is also president of the Korea Trade Promotion Corporation, is one of the most knowledgeable people in his country in the field of industrial economics.

In 1979 he was director general for planning of the Prime Minister's Office, and 2 years later he became vice-minister of the National Economic Planning Institute.

### **Increased Business**

During his visit he will deal with various matters related to increased business ties between Peru and Korea.

He will talk with Industrial Minister Alvaro Becerra and Economics, Finance and Commerce Minister Jose Benavides Munoz, as well as with the president of the Chamber of Commerce, Eduardo Iriarte.

Upon his arrival, he stated that he will discuss his government's participation in Peruvian investment projects for national development, and the transfer of technology.

He will also deal with the establishment of a compensated commercial exchange program of the barter type, which will increase trade and correct problems in the balance of payments.

### **Peru's Surplus**

He noted that in 1983 Peru had a surplus in its balance of trade with his country, in the order of \$48 million.

He said that this country now imports many Peruvian products, mainly minerals, cotton, alpaca and agricultural products, for a total of \$53 million.

At present Korea has a long-term contract with Hierro Peru to supply iron concentrates to the Posco iron and steel mill of Korea.

Peru, on the other hand, imports various manufactured goods valued at \$5 million, principally electronic items and textiles, from that country.

#### Capital Goods and Technology

He stressed that his country intends to supply the Peruvian market with capital goods, industrial plants, semi-manufactured goods and technology for the Peruvian export industry.

It also plans to establish joint enterprises with Peruvian capital in order to supply the market of the Andean Pact and the American market in general.

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## PERCOVICH SCORES ATTACK ON AEROFLOT OFFICE, COMMUNIST MAP

### Senderists Admit Aeroflot Bombing

Lima EL COMERCIO in Spanish 31 Jul 84 p A-4

[Text] While emphatically rejecting a communique from the Communist Party as tendentious and untruthful, Interior Minister Luis Percovich Roca revealed yesterday that after an investigation, it was learned that it was the Sendero Luminoso Communist Party that had attacked the local headquarters of the Soviet airline Aeroflot.

He stated that Narcisco Javier Uscabilca, aka "Comrade Mario;" Maria Luisa Arone Contreras, aka "Comrade Maria;" and Bolognia Cayhualla Ccecho, aka "Comrade Abel" had been arrested and had pleaded guilty to the attack, in addition to admitting their membership in the Sendero Luminoso Communist Party.

He also reported that, acting on information from the accused, authorities had raided a building in a "young town" and found weapons, explosives and ammunition that were used in the latest terrorist attacks.

As he left the Government Palace, Percovich Roca stated that the thread of the plot began to unravel when Arone Contreras was caught moments after the attack on the Soviet firm, which took place the night of 14 July on the first floor of the Civic Center Building.

### Attack Planned in a Cooperative

Based on the interrogation of Arone Contreras, he added, it was determined that she is a member of the Sendero Luminoso Communist Party and has ties with other elements of the extremist group. The group's meeting places were also discovered.

He stated that the defendant confessed that she has belonged to Sendero Luminoso since March of this year, and it was Uscabilca who convinced her to join the seditionists at the headquarters of the Union of Lima Educational Workers cooperative. That was also the place where the Aeroflot attack was planned.

The interior minister reported as well that Arone Contreras gave some explosives to Cayhualla Ccecho to be used to blow up other utility towers on the 16th of this month, 2 days after the Aeroflot attack.

"This investigation establishes who perpetrated the attack on Aeroflot, and it is good to make this clarification, because the communique issued by the Peruvian Communist Party mentioned manipulation by a sector of the Peruvian right, and even tried to link the Interior Ministry to the events," he noted.

#### Communist Party Distorts Map

After emphatically rejecting the communique, Percovich Roca practically challenged the Peruvian Communist Party to explain why it used in that document a logotype with a map of Peru in which the departments of Tumbes, Piura, Cajamarca, Amazonas and Loreto were partially cut off.

"Especially in the territorial areas of Tumbes, Jaen and Maynas, and this situation should be cleared up by the Peruvian Communist Party. How can it use a logotype that does not conform to the geographical borders of national territory, and moreover is identified with a position alien to our fatherland?" he stressed.

#### Blacklist

Regarding Senator Genaro Ledesma's accusation that Sendero Luminoso keeps a blacklist, he said he knows nothing of it and suggested that the legislator send him a copy so that the people allegedly singled out can be duly protected.

"What we do know specifically is that their goal is to damage not only public and private property, but also to harm people, as is happening now. Our obligation and mission is to prevent that," he asserted.

#### Distorted Communist Map Published

Lima EL COMERCIO in Spanish 2 Aug 84 p A-4

[Text] This map of Peru, clearly distorted in its depiction of the northern border, as shown by the shaded portion of the drawing, was used reprehensibly by the Peruvian Communist Party - Unity Faction (PCP-U) in the logotype of the two communiques it printed in the daily LA REPUBLICA in the issues of 18 and 25 July. The communique impugned national sovereignty and contributed to the achievement of the absurd aspirations of the country to the north. The reduction of national territory in the PCP-U logotype cuts out all of the departments of Tumbes and Piura, and the provinces of Lambayeque (Lambayeque), Jaen and San Ignacio (Cajamarca), Bagua (Amazonas) and Mainas and Ramon Castilla (Loreto). In the aforementioned communiques, the PCP-U, in addition to showing an obviously distorted map of our country, places the hammer and sickle on it. In these documents, the PCP-U protests the dynamiting of the Soviet agencies Aeroflot and Novosty, and condemns the assassination of Huancayo Mayor Saul Munoz Menacho.





**Key:**

1. Physical political map of Peru
2. Map of PCP-U logotype

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## OPPOSITION HAILS AD LABOR SECTOR'S STAND ON ECONOMIC POLICY

Caracas EL NACIONAL in Spanish 13 Jul 84 p D-2

[Article by Elena Block]

[Text] All signs indicate that the government's "honeymoon" with the country is ending. That rift was begun by the Labor Union Bureau of Democratic Action (AD) itself. A few days ago Antonio Rios requested some changes in the cabinet and more vigorous action by the government to deal with the crisis. His organization claims the administration is paralyzed.

The opposition parties are delighted with this attitude on the part of AD workers. "Welcome to the opposition," exclaimed Abdon Vivas Teran, when we asked him about this matter. Radames Larrazabal states that the labor union bureau will receive the support of the entire nation if it decides to take to the streets to demand fulfillment of the promises that were made to the people. The opposition leaders claim that it is healthy for the ruling party's own labor arm to ask Jaime Lusinchi to create a government for the underprivileged sectors . . . Juvencio Pulgar warns that the ministers do not have a 'blank check.'

But they go further than that. Jesus Angel Paz Galarraga, for example, extols the importance of breaking away from the Social Pact and implementing a government of national emergency. But there are doubts that AD wants to carry out this idea.

### Vivas Teran Welcomes Labor Bureau to Opposition

The director of the Social Christian (COPEI) congressional delegation indicated that the statements by the AD Labor Union Bureau are clear proof that the Social Christian Party has been right in asserting that the administration of President Lusinchi is not going anywhere, and that the economic policy is totally inadequate for the collective goals of the country.

"From the beginning we warned that the economic policy was highly inflationary and showed little promise of boosting the economy. It was inflationary because the government fueled inflation tremendously from the cost standpoint, and from the demand side as well. Public spending has increased, but the costs of state enterprises have risen rather than declining. Under such

circumstances, the only likely outcome is a general increase in prices for goods and services."

Abdon Vivas Teran declared that the AD Labor Union Bureau has seen what COPEI saw 3 months ago, "fortunately early," and is encouraging the working classes to criticize a policy that will hit consumers hard.

"I welcome the AD Labor Union Bureau to the opposition. I know that they will help us correct the erroneous course of fiscal and economic policy."

Pulgar: No "Blank Check" for Ministers

"The rank and file members of the Democratic Action Party are beginning to pose problems to the government because of the legitimate concern that exists within the party over the lack of specific measures designed to alleviate the serious plight of the Venezuelan people. Price increases for three staple items and cement were announced, making it difficult for the construction industry to reactivate and build low-cost housing. In addition, unemployment is on the rise. There is no assurance that the other measures announced in the enabling legislation, such as the 10 percent rise in employment, will be implemented in the short term. The industrial cafeterias are also in trouble, as the labor minister himself admitted, claimed Juvencio Pulgar, chief of the Movement Toward Socialism (MAS) congressional delegation.

The MAS leader stated that the government will thus feel pressure not only from the opposition, but from within its own ranks. "This is very good, so that the ministers will not have a sort of blank check. The parties should control the government's actions."

Paz Galarraga: National Emergency Government

The People's Electoral Movement (MEP) maintains that the president of the republic is directly responsible for the economic policy that is applied in this country.

Jesus Angel Paz Galarraga asserts that in Venezuela the custom is to be very severe with the ministers and spare the chief executive. "This bad habit may stem from an idea that has been around for a long time, since the Gomez era, on through the Perez Jimenez regime, and has been repeated during the democratic period."

"In the specific case of AD, the blame for all that is happening lies in the fact that the so-called Social Pact, implemented during a time of crisis, has been geared toward favoring the powerful sector, or at least punishing it less, while making the Venezuelan workers sacrifice the most. Thus, asking that two ministers be removed—and I have no reason to defend any minister—does not seem to make sense to me, if the problem lies with the whole government and the president himself."

Then the MEP leader asserted that, along these lines, the problem in AD is much deeper. "It would mean an about-face in the government's economic policy, and would practically mean exchanging the so-called Social Pact for a

government of national emergency that would represent the interests of 95 percent of Venezuelans."

#### Larrazabal: Four Horsemen of Apocalypse Must Go

Radames Larrazabal said that the dilemmas of the AD labor leaders are pertinent, because they are the ones who are accused and persecuted by the workers, who were promised a good policy on prices, wages, freezing inflation and raising employment.

"This economic cabinet will not be tolerated by anyone, and Azpurua, Hurtado, Carmelo Lauria and Adan Celis must go. Although the latter is not a member of the cabinet he is a superminister, who has used the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS) to besiege Miraflores, exerting constant pressure on the president of the republic."

The AD Labor Union Bureau is supposed to demand the workers' due from the government, something that has not been given so far. In order for the labor bureau to enforce such minor items as the transportation bonus, the cafeterias and the payroll expansion, it must take the workers out into the street; it will win the support of the entire nation. Moreover, the departure of those four horsemen of the apocalypse from the cabinet should be accompanied by a change in economic policy, from one of recession to one of reactivation, employment, investment, and an increase in public demand.

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PENA VIEWS AD LABOR LEADERS' OBJECTIONS TO ECONOMIC MEASURES

Caracas EL NACIONAL in Spanish 14 Jul 84 p D-2

[Commentary by Alfredo Pena]

[Text] Democratic Action's Labor Union Bureau has decided to end the low-profile stance it has taken since 2 February this year.

The Democratic Action (AD) labor officials—some say inspired by the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS)—have gone on the offensive by demanding the resignation of President Lusinchi's economic cabinet.

It is worth recalling that when the Labor Union Bureau decided to support Lusinchi's presidential candidacy, it issued a statement warning that the future president would have full autonomy only in questions of national defense and foreign policy problems. All other policies—including economics, of course—would be formulated in conjunction with the party's national board.

The labor officials, judging by their statements, would be willing to adhere to the pronouncement they made during the time when Lusinchi and Morales were battling to win the favor of the AD masses.

Prices

The labor officials are very unhappy with what has been done (or not done) on economic issues thus far in the Lusinchi administration. The bureau promoted and supported a Law on Costs, Prices and Wages with strings attached. That was not possible. The AD labor leaders told me of their annoyance at a statement by Frank De Armas, chairman of Consecomercio, which they considered disrespectful. The business leader told EL DIARIO DE CARACAS: "The law was so watered down that it couldn't hurt a fly." That same day, FEDECAMARAS announced that the Confederation of Venezuelan Workers (CTV) and the government would attend its 40th Assembly, which begins today in Valencia.

The AD labor officials, who are very familiar with the main features of the offer the government will make to the creditor banks, fear that the chain of price increases that will be unleashed now will cause unrest in the working class and will damage the social democrats' influence in the labor movement.

The labor leaders know that the subsidies will be eliminated, prices for almost all goods will be deregulated, and wages will be effectively frozen. In private, they admit that we have come very close to what have been called--in political jargon--the "requirements of the International Monetary Fund."

### Internal Struggle

The Labor Union Bureau, or the majority of that organization, to be more precise, is satisfied with the reelection of Manuel Penalver as secretary, and with the candidacy of Lepage for 1988.

The labor officials, since as they themselves admit they receive so little, cannot bear the greater burden of the erosion that would be caused by the so-called readjustment program to be presented to creditor banks by the administration.

They know full well what will happen before the refinancing of the debt and after it becomes a fait accompli, and they feel that the working classes will have to bear the brunt of the sacrifices. They announced during the election campaign that Lusinchi's administration would do away once and for all with what has happened over the last 25 years of democracy: "Eighty percent of the population has not had access to the wealth. We will form a popular government that will put an end to such injustice. The Social Pact will open the doors to a new society."

The labor officials were bothered by the delay in implementing the compensatory decrees, which have still not been put into effect. They were also irritated by the fact that the construction of the industrial cafeterias is still in the wait-and-see stage.

### Crisis

The fact is that not only labor but also the political leaders devoted exclusively to party activities thought that the solution to the crisis lay just around the corner. They presented electoral platforms for a prosperous nation. Today, economic conditions are dashing unfounded hopes and illusions. Economics does not recognize miracles. False hopes were created here, and the people were deceived. Now the "political price" will have to be paid.

President Lusinchi will have to mediate between the pressures of FEDECAMARAS and the CTV. He ended up saying, when he invited a group of economists to Miraflores, that the business leaders were too belligerent and the labor leaders were too lethargic.

We will see what happens with the Social Pact.

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FEDECAMARAS REPORT ANALYZES CAUSES FOR ECONOMIC CRISIS

Caracas EL NACIONAL in Spanish 17 Jul 84 p D-1

[Article by Hugo Lopez]

[Text] Valencia, 16 July—Administrative and economic policy errors in the management of different variables, which originally would have been predictable and controllable if action had been taken in time, were pointed out by Dr Oscar A. Echeverria as the principal factors in the serious crisis that is plaguing the Venezuelan economy. He noted, however, that the problem is resolvable because of Venezuela's potential resources.

The central document of the 40th Annual Assembly of the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS), "The Venezuelan Economy between 1944 and 1984," presents a discussion of the transformation, development, crisis and recovery of the national economy, with a review of the various factors that played in each case.

Exchange Crisis

The study undertaken by Dr Oscar A. Echeverria, who has a degree in civil engineering from the University of Havana and a doctorate in economics from the University of Georgetown, Washington, reveals that the lack of direction in the economic policy of the past 5 years precipitated the crisis, because a series of decisions were made that ran counter to the most elementary economic logic.

The following is a summary of the main features of the only analytical document presented at the FEDECAMARAS Annual Assembly.

The most significant event in the Venezuelan economy in the last 40 years has been the exchange crisis, which culminated on 25 February 1983 with the establishment of the differential exchange rate system. This crisis, which stretched out over two presidential terms, was the result of a complex process to which various economic variables contributed, some of them inherent in the Venezuelan economic system and in principle controllable, and others external, and therefore autonomous. Although they could be controlled as well, the external variables were predictable in some cases, while in other cases their consequences could have been averted if action had been taken in time.

The mistakes made in the management of the controllable variables can be classified as administrative and economic policy errors. The administrative errors lay in not applying existing policy adequately (lack of control over public spending and foreign indebtedness, delay in renegotiating the debt and in adopting exchange controls).

The economic policy errors were rooted in a mistaken perception of the country's situation or of desirable objectives. For example, the advantage of a stable parity of the bolivar with relation to the dollar, or of internal interest rates isolated from the international financial market, were ignored.

#### Administrative Errors

The first administrative error was the sudden expansion of public spending as a consequence of the vortex created by oil income. In 1974 realized oil prices rose by 183 percent, going from \$3.71 to \$10.53 per barrel. This came right after the 49.4 percent increase in 1973.

Between 1974 and 1978 government spending amounted to 245.21 billion bolivars, 158 billion more than what one would get if one multiplied the 1973 government spending figure by 5. This meant an increase of 230 percent, point to point.

Because of the Iran-Iraq war and the Iranian Revolution of 1979, the price of petroleum rose once again in successive increments, which swelled revenues from exports and therefore fiscal revenues. That should have enabled Venezuela to pay off its public debt of approximately 100 million bolivars. Between 1979 and 1983, however, government spending totaled 412.141 billion bolivars, 166.94 billion more than total spending for the previous period.

External indebtedness was another element that drove up public spending and investment, while income stagnated between 1977 and 1979 and actually fell in 1982. This role was played by foreign indebtedness.

Considered as an administrative error, the indebtedness problem has various facets:

**Amount:** Between 1974 and 1979, the public debt accounted for an estimated 20 to 100 billion bolivars (the Central Bank of Venezuela figures were 8.8 billion bolivars), and an estimated 100 to 175 billion from 1979 to 1983.

**Payments:** Sixty percent of the \$17 billion owed abroad fell due between 1983 and 1984. Payments due in 1983 equaled 82.3 percent of income from oil exports for the same year.

**Disorder:** The high amount of debt and the pressing due dates resulted from a lack of control over the rate of indebtedness, despite mechanisms for approval and centralized record-keeping.

**Delays in Refinancing:** In August 1981, at the request of Finance Minister Luis Ugueto Arismendi, Congress authorized the refinancing of the debt. But by 31 December 1982, only 47.3 billion had been refinanced. The delay became

critical because of an external variable that had an adverse impact after August 1982: the crisis in Mexico.

**Delay in Applying Corrective Measures:** Between January and August 1982, the average drain of reserves was \$274 million per month, and the procedure adopted for protecting the reserves of the Central Bank of Venezuela (BCV) by means of restricting liquidity, was not changed. On the contrary, in September the reserves of Venezuelan Petroleum, Inc. (PDVSA) were centralized in the BCV, and gold was revalued; exchange controls to protect these reserves were not, however, imposed at the same time.

### Policy Errors

**Stable Parity:** Although a stable parity with the dollar may have been an error, the parity went up only between 1980 (6.7 percent) and 1982 (26.0 percent), because the monetary devaluation of the dollar had previously prevented the real overvaluation of the bolivar with respect to other currencies in which slightly over half of the country's imports were negotiated.

**Interest Rates Isolated from International Market:** One of the initial reasons for the flight of capital was the policy of low interest rates in 1980 and 1981, but the amount was not significant with relation to the the outflow of foreign exchange for other reasons. Taking as a dependent variable the time deposits in the country or the sale of foreign exchange to private parties during 1979 and 1982, and as a dependent [as published] variable the differentials in interest rates for Venezuela and abroad, one does not arrive at a significant ratio of determination.

The capital that left the country did not return when foreign interest rates fell in 1982, because at that time there was a lack of confidence in the parity of the bolivar and in opportunities for investment in the country.

**Deregulation of Imports:** Another factor that contributed to the crisis was the policy of deregulating imports in order to regulate domestic prices. This policy ignored the reality of economies of scale, but the drain of foreign currency reserves was compensated for by the major surplus in the current account of the balance of payments.

### Uncontrollable Factors

Dr Echeverria mentions in his study the uncontrollable factors in the banking crisis:

— The decline in income from oil exports, 18 percent in 1982 and 11 percent in 1983, although that in itself was not enough to cause this kind of crisis.

— The Mexican crisis, which created a crisis of confidence in this country by other countries, because bankers, in an understandable mental phenomenon of association of ideas, identified the Aztec nation with Venezuela. Furthermore, the association with Mexico was disastrous, though unjustified. Bankers

had liquidity problems caused by their loans to Mexico, Brazil, etc., and did not extend Venezuela's payment periods.

-- The lack of confidence in this country because of a poor national and international opinion of the Venezuelan economy's solidity, despite the structural problems of the overvaluation of the bolivar and the dependence on oil, which are commonly mentioned in addition to administrative problems.

## Conclusions

In the conclusions presented by Dr Oscar A. Echeverria, there is an optimistic view of the national economy's recovery, although no timetable is given for this goal.

In the last 40 years, the Venezuelan economy has undergone a growth and transformation unequalled in the contemporary world. International trade and fiscal revenues continue to be highly dependent on oil, but this product should be regarded as providing a solid economic foundation that guarantees adequate income when other countries are facing protectionist measures and reduced imports.

The exchange crisis of 1982 and 1983 did not stem from the erratic increase in the drain of foreign reserves due to excessive imports, which were in turn encouraged by the overvaluation, because imports have not fluctuated in proportion to the changes in the exchange rate in the 1974-1978 and 1979-1982 periods.

The exchange crisis has forced the country to make a structural adjustment in the parity of the bolivar, but also another adjustment, this one real and psychological, consisting of the irremediable obligation to reduce and rationalize public and private spending, and to curb indebtedness. At some point the parity of the bolivar had to be adjusted, indebtedness had to be curbed and spending had to be cut.

The errors made in past years were basically administrative, and they led up to the situation of 18 February 1983. The exchange crisis of 18 February 1983 had no business happening, but it did happen. However, the country's structure is not as seriously damaged as it appears to be now during this crisis, judging by the price of the free dollar and the amount of the foreign debt.

Venezuela's public foreign debt, which amounts to 39.1 percent of the gross domestic product of 1982 and 185 percent of 1983's exports, is not excessive with relation to the size of the economy. The burden of this debt can be sustained if it is refinanced with payment periods more in keeping with the country's international payments capacity. Although the renegotiation of the public foreign debt was not achieved, the efforts made were well intentioned.

The exchange measures, though taken too late, were conceptually well designed, despite the operational flaws that appeared.

It cannot be denied that there were economic policy errors, and more important, economic management errors during the last 10 years. But looking only



at the extreme statistics of the debt and the exchange rate means ignoring another aspect of what has happened over the last decade. The most significant event in the political field is Venezuela's reaffirmation of its democratic intentions, which was demonstrated in the most convincing way possible: with the opposition winning the elections. This has happened twice, in each of the two general elections held in the last 10 years. It should be noted that out of five elections, not counting those of 1958, the opposition party has won four times.

In the economic sphere major developments have taken place, including the nationalization of the iron and oil industries; without losing continuity, the operational efficiency of the enterprises was enhanced, as can be seen in the examples of Corpoven and the Petrochemical Company of Venezuela (PEQUIVEN). The Orinoco Iron and Steelworks (SIDOR) and the Guri Dam have been expanded. The aluminum industry has been consolidated and integrated. There have been important developments in the lumber industry. The private sector has an enviable array of equipment that will enable it to take advantage of the opportunities offered by the new parity of the bolivar. The Mariscal de Ayacucho Plan has blessed the country with a valuable enrichment of its human, technical and management capital.

Revenues from petroleum exports, even in the current depressed market, have quadrupled. In terms of foreign reserves, Venezuela was in 18th place in 1973, while it is in 7th place today in absolute terms, and in 2nd place in per capita terms, despite the severe drainage of reserves that took place in 1982.

In sum, although 10 years is a relatively short period of time in the life of a nation, the last decade has been a period of important changes in the country's economy. The dreams that were created in 1974 have not been fully realized, and the exchange crisis of last year is now severely hampering confidence in the future. Both of these perceptions are wrong, and it was wrong then to assume that the increase in oil prices and income would continue indefinitely. Moreover, it is wrong today to allow the exchange crisis to mask the magnificent real potential the country's material and human resources give its economy. But this potential can be fully realized only if everyone is optimistic, confident and cooperative, and only if the government provides proper leadership.

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